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INSTITUTIONAL REFORMS FOR THE DEVELOPMENT OF TURKISH EXPORTS

USAID/Ankara
Economic Planning Division
D. G. Mathiasen
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PREFACE

This study represents the combined collaborative work of the members of the USAID Economic Planning Division. Generous assistance was provided by other USAID offices, as well as by the U.S. Embassy's Economic Section and Agricultural, Commercial, and Minerals Attaches. While every reasonable precaution was taken to assure accuracy, none of the contributors can accept responsibility for remaining errors. Policy suggestions are those of the individual contributors and do not necessarily represent the official views of the USAID Mission. They are presented in order to stimulate constructive discussion of ways and means to stimulate and promote Turkish exports.

To increase earnings from exports is a first priority if Turkey is to become self-reliant in the relatively near future. Export earnings projected in this study for 1972 imply a low growth rate of 4.5 percent per annum and a high growth rate of 8 percent per annum for the period 1967-1972. Needless to say, even the higher rate of growth is less than Turkey should be able to achieve with a maximum effort. Given the less than sanguine outlook for concessional aid from abroad, it may be hoped that a maximum effort will be forthcoming. If it is not, the momentum of Turkish economic development may be adversely affected.

Kenneth M. Kauffman
Assistant Director
Economic Planning & Program

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ABBREVIATIONS USED

CEMA	Council for Economic and Mutual Assistance
EEC	European Economic Community
GATT	General Agreement on Tariffs and Trade
IGEME	Ihracati Geliştirme ve Etüd Merkezi (Export Promotion Center)
SFYP	Second Five Year Plan
SPO	State Planning Organization
TMO	Toprak Mahsulleri Ofisi (Soil Products Office)

I. Introduction, Summary and Conclusions

A. Introduction and Summary

This study of Turkish exports grew directly out of a desire to consider the implications of the emphasis placed in Turkey's Second Five Year Plan on industrial exports. The Plan's projections for industrial exports are sufficiently ambitious to invite debate on whether they can be met or how they can be met. This study complements earlier work undertaken by the Mission on Turkish exports, which emphasized agricultural commodities. The findings of that earlier USAID staff paper[1/] have been reviewed and revised in light of developments during the past year and a new set of projections has been made. The major new work, however, has been concentrated in two areas: (1) an examination of firms which have an existing or potential capacity for exporting manufactured goods and (2) and examination of the Government institutions and incentives for exporting.

In seeking to discover what changes would be necessary to produce a rapid increase in manufactured exports, Mission economists have talked extensively with Turkish businessmen in Istanbul, Izmir, and Adana over a period of more than three months. Interviews have also been conducted with various agencies and institutions concerned with exports, including the State Planning Organization, the Ministry of Commerce, and local Unions of Exporters. In addition, the Mission drew on information available in the U.S. Embassy's Economic Section and benefited from the advice and assistance of the U.S. Commercial Attache, Norman W. Getsinger.

1/ A. D. Redding, Turkish Exports: Problems and Opportunities, USAID/Ankara March 1967.

It has not been possible, given available staff resources, to conduct the kind of definitive survey of firms that would yield answers to questions concerning international price competitiveness, plant capacity, financial structure, etc. The judgements contained in this paper are necessarily impressionistic. However, in view of the extensive number of interviews which have been conducted (see Annex B), it is hoped that the judgements are by and large sound.

This paper looks at two basic questions regarding Turkish exports. One is the possibility for expanding the volume of exports. The second is the possibility for changing the structure of Turkish exports, with particular emphasis on a switch from agricultural to manufactured items. In examining these issues, it rapidly became clear that structural change would require considerable revision of current public policy.

Section II presents quantitative date on the existing pattern of Turkey's exports ($523 million in 1967) by commodity, destination, and season; and then examines the export targets included in the Second Five Year Plan in the light of a pair ("low" and "high") of detailed projections for 1972 made by USAID/Ankara (described in detail in Annex A). The SPO target is midway between our two projections for 1972 in the aggregate ($653 million for our "low" projection and $768 million for our "high" projection). With respect to the composition of the aggregate, however, the SPO's targets appear particularly conservative for traditional agricultural exports and highly optimistic for manufactured exports.

A new development not foreseen in the Plan but holding great promise for Turkey's exports has been the introduction of Mexican wheat in 1968; the resulting increase in yields may provide a significant exportable surplus of wheat in 1972. The most interesting immediate possibility for increasing industrial exports is in cotton textiles, since cotton textile production capacity has grown so much faster than domestic demand in the last two years that producers are, for the first time in a long while, under considerable pressure to find new buyers abroad. In order to break into foreign markets on a significant scale, however, a major organization and selling effort will be required.

Section III describes three aspects of the existing export system: the regulations by which the Government of Turkey exercises direct and indirect controls on exports; the tax rebate system in force since 1963 to encourage exports of manufactured goods; and the hitherto inadequate export promotion activities of governmental and private bodies. The general control measures include registration (in some cases with, in other cases without, price control), licensing by the Ministry of Commerce, certification by the customs authorities, and in some instances approvals by other agencies. Specific quantitative export controls and minimum prices are enforced for exports to the Eastern European and other bilateral agreement countries.

Under the export rebate system, a portion of the taxes paid in the course of production is reimbursed to the exporter, at a rate of rebate depending upon the commodity. At the rates in force from December 1963 through April 1968, the rebate system was not particularly effective in encouraging exports; indeed the aggregate amount of rebates declined in 1966 and again in 1967 from the level reached in 1965, the first full year of operation. A higher set of rates introduced in April 1968 should, however, make it possible for a new range of producers to cover at least their costs on commodities they export.

Several export promotion institutions exist--among them, IGEME (Export Promotion Center) since 1961, and an Investment and Export Promotion Bureau in the State Planning Organization since 1967--but they have not yet been at all effective in promoting industrial exports.

Section IV discusses several aspects of the lack of competitiveness of Turkish manufactured goods compared to agricultural products. Paradoxically, the situation may be summarized by the statement that the high cost of Turkish manufactures is a direct consequence of the high priority given to industrialization and the policies that devolve from that priority.

Section V suggests a number of new measures needed to stimulate exports. The SPO's Investment and Export Promotion and Encouragement Bureau has yet to be made into a powerful central export authority by giving it adequate authority and staff. Special financial incentives for manufactured exports would probably be needed even if the exchange rate were changed. The scope for increasing export rebates is rapidly being narrowed, but the provision of low cost credit for manufacturers who export could help offset part of their comparative disadvantage in foreign markets. Another possible, and potentially powerful, incentive would be a foreign exchange retention scheme, similar to that used by Pakistan, under which an exporter would be permitted to keep for his own use a stated percentage of the foreign exchange he earned by exporting. (An interesting approach to this question, set out in a paper prepared by R. Elberton Smith of the USAID/Ankara Economic Planning Division, is presented as Annex D.) Market development approaches that might be considered include joint ventures, export promotion cooperatives, export insurance, and improved dissemination of market information and export techniques. Finally, the possibility of establishing a free port with manufacturing facilities as well as warehouses should be studied.

B. Conclusions

Our conclusions may be stated as follows:

(1) Turkish export possibilities are good. This is not to say that exports will continue to grow without greater efforts on the part of the Turkish authorities. Moreover, there is the continuing danger that domestic inflation will decrease the competitiveness of existing Turkish exports. However, there is no fundamental reason why exports could not produce adequate amounts of foreign exchange to sustain the rapid growth of the Turkish economy.

(2) Internal demand in Turkey is high. This demand places continuing strong pressure on Turkish producers to sell at home rather than abroad, particularly in the case of manufactured items. Either very high financial incentives will be necessary to induce manufacturers to try out foreign markets or buoyant demand for these items will have to be deflated through appropriate monetary and fiscal policies.

(3) Agricultural exports continue to have considerable potential for growth, notably in raw cotton, hazelnuts, and perhaps wheat. There appears little doubt that this is an area in which Turkey enjoys a significant comparative advantage. Realization of the possibility of producing significant volumes of wheat for export depends on technical developments in the next few years.

(4) Exports of new items from the agricultural sector appear to offer significant opportunities. This is particularly the case with the export of fresh fruits and vegetables and of processed foods. The institutional developments which are necessary to achieve these potentials will be extensive. Nevertheless, the basic competitive position of Turkey for these items appears excellent.

(5) Under present conditions, Turkey does not appear to have a significant comparative advantage in the export of manufactured goods. If Turkey wishes to induce a major increase in the export of manufactured goods, major incentive measures--including, but not limited to, change in the exchange rate--will be essential. These measures will be needed to overcome the competitive advantage other nations now have in this area.

(6) A major consolidation and reform of the institutions designed to encourage exports is essential. Currently, there are a number of small, understaffed, poorly-financed, and inadequate institutions performing overlapping work of poor quality. Unless these institutions are reorganized, revitalized, and much more adequately financed, they will provide no significant help to Turkish exporters.

II. The Pattern of Exports

A. The Existing Pattern of Turkey's Exports

Composition of Exports.[1/] During the First Five Year Plan period (1963-1967), Turkey's export earnings increased by an average of 6.5 percent per annum, reaching $523 million in 1967 (Table 1). This increase, however, took place without a change in the composition of exports. Agricultural products still occupy a predominant place in total exports. As a matter of fact, the share of agricultural products in exports increased from a high level of 87.9 percent in 1962 to 88.8 percent in 1967.

As can be observed from Table 1, agricultural products accounted for much of the increase in total exports with no increases in manufactured items and in terms of absolute amounts only moderate increases in the export of minerals.

Traditional exports such as cotton, tobacco, nuts and dried fruit accounted for 65.0 percent of the total exports in 1962 and 71.4 percent in 1967. This indicates an increasing reliance on traditional products. Exports of other agricultural products such as cereals, mohair and wool, livestock and products, and olive oil declined considerably. Citrus exports, on the other hand, increased from $1.7 million in 1962 to $6.6 million in 1967.

1/ USAID/Ankara uses an economic grouping of exports different from that of the Government of Turkey. The key deriving our categories from the six-digit customs tariff codes, according to which the foreign trade statistics are published by the State Institute of Statistics, is presented in Annex E.

Table 1

Turkey's Commodity Exports

A. Million Dollars at Current Prices

	1961	1962	1963	1964	1965	1966	1967
1. Agricultural Products	295.7	335.1	322.5	345.0	398.1	418.0	463.9
a. Cotton	56.7	63.6	79.5	89.4	100.2	128.5	131.5
b. Tobacco	87.2	96.2	66.8	90.1	90.3	107.6	118.0
c. Nuts	47.1	64.9	60.1	57.7	69.3	61.6	91.9
(1) Hazelnuts	(42.1)	(56.0)	(54.0)	(50.2)	(61.9)	(56.7)	(84.3)
(2) Other nuts	(5.0)	(8.9)	(6.1)	(7.5)	(7.4)	(4.9)	(7.6)
d. Dried fruit	23.4	23.4	23.0	24.6	30.0	29.7	31.6
(1) Raisins	(17.5)	(16.4)	(16.6)	(16.9)	(21.5)	(22.1)	(22.7)
(2) Figs	(4.9)	(5.7)	(5.9)	(6.1)	(7.0)	(6.7)	(7.2)
(3) Other	(1.0)	(1.3)	(0.5)	(1.6)	(1.5)	(0.9)	(1.7)
e. Fresh fruit & vegetables	2.6	2.7	3.8	2.5	5.0	6.4	8.3
(1) Citrus	(2.0)	(1.7)	(2.6)	(1.8)	(3.9)	(5.4)	(6.6)
(2) Other fruit	(0.6)	(0.9)	(0.9)	(0.7)	(0.8)	(0.8)	(1.1)
(3) Vegetables	-	(0.1)	(0.3)	-	(0.4)	(0.2)	(0.6)
f. Cereals	6.0	1.4	4.5	6.0	4.2	2.6	1.6
g. Mohair & wool	16.8	12.0	17.4	11.8	13.0	9.1	8.9
h. Livestock & products	24.8	27.5	26.4	23.5	28.3	21.9	17.6
i. Olive oil	0.1	14.0	12.8	3.8	11.5	2.2	6.8
j. Other	31.0	29.4	28.4	35.6	46.3	48.4	47.7
2. Manufactures	27.6	20.7	28.8	40.1	27.5	24.3	20.9
a. Lumber & products	1.1	1.0	1.6	1.5	1.8	2.1	1.8
b. Food products	18.2	9.8	12.9	21.9	11.3	10.6	11.7
c. Textile & clothing	2.6	2.2	3.0	4.5	4.5	2.6	3.0
d. Chemicals & pharm.	1.0	0.9	1.2	0.6	1.0	1.3	0.9
e. Metals & metal mfres.	4.2	0.1	0.4	1.8	2.2	2.5	2.0
f. Other	0.5	6.7	9.7	9.8	6.7	5.2	1.4
3. Minerals	23.4	25.4	16.8	25.8	38.1	48.3	37.9
a. Copper	4.8	8.8	5.9	10.2	16.9	24.8	16.6
b. Borates	2.2	2.7	2.7	3.3	4.7	4.9	5.8
c. Chrome	11.1	9.1	4.5	7.1	9.5	10.4	7.3
d. Lead-zinc	0.4	0.4	0.5	0.2	0.6	1.4	0.7
e. Magnesite	-	-	0.1	0.4	1.1	1.9	1.6
f. Other	4.9	4.4	3.1	4.6	5.3	4.9	5.9
Total Export Earnings	346.7	381.2	368.1	410.8	463.7	490.5	522.7

Table 1 (Cont.)

Turkey's Commodity Exports

B. Percent

	1962	1965	1967	Average annual increase 1962-1967
1. Agricultural Products	87.9	85.9	88.8	6.7
a. Cotton	16.7	21.6	25.2	15.6
b. Tobacco	25.2	19.5	22.6	4.2
c. Nuts	17.0	14.9	17.6	7.2
(1) Hazelnuts	(14.7)	(13.3)	(16.1)	8.5
(2) Other nuts	(2.3)	(1.6)	(1.5)	-3.1
d. Dried fruit	6.1	6.5	6.0	6.2
(1) Raisins	(4.3)	(4.6)	(4.3)	6.7
(2) Figs	(1.5)	(1.5)	(1.4)	4.8
(3) Other	(0.3)	(0.4)	(0.3)	5.5
e. Fresh fruit & vegetables	0.7	1.1	1.6	25.0
(1) Citrus	(0.4)	(0.8)	(1.3)	31.0
(2) Other fruit	(0.3)	(0.2)	(0.2)	4.1
(3) Vegetables	(-)	(0.1)	(0.1)	43.2
f. Cereals	0.4	0.9	0.3	2.7
g. Mohair & wool	3.1	2.8	1.7	-5.8
h. Livestock & products	7.2	6.1	3.4	-8.5
i. Olive oil	3.7	2.5	1.3	-13.4
j. Other	7.8	10.0	9.1-	10.2
2. Manufactures	5.4	5.9	3.9	0.2
a. Lumber & products	0.2	0.4	0.3	12.5
b. Food products	2.6	2.4	2.2	3.6
c. Textile & clothing	0.6	1.0	0.5	6.4
d. Chemicals & pharm.	0.2	0.2	0.2	-
e. Metals & metal mfres.	-	0.5	0.4	85.0
f. Other	1.8	1.4	0.3	-26.8
3. Minerals	6.7	8.2	7.3	8.4
a. Copper	2.3	3.6	3.2	13.5
b. Borates	0.7	1.0	1.1	16.5
c. Chrome	2.4	2.1	1.4	-4.3
d. Lead-zinc	0.1	0.1	0.1	11.9
e. Magnesite	-	0.2	0.3	xx
f. Other	1.2	1.2	1.2	6.0
Total Export Earnings	100.0	100.0	100.0	6.5

Exports by Country and Area of Destination. About two-thirds of Turkey's exports go to the convertible currency countries of Western Europe and North America, although there has been some decline in their share of the total from 1962 to 1967 (Table 2). In 1967, the EEC countries took about a third of Turkey's exports while the U.S. and the EFTA countries together took another third.

The geographic pattern varies from commodity to commodity, with the United States taking over 60 percent of Turkey's tobacco exports and over 90 percent of pistachio exports, and the Western European countries taking the bulk of Turkey's cotton, hazelnuts, raisins, figs, citrus, and other agricultural exports. The United States has been taking an increasing share of Turkey's textile exports, was a major buyer of Turkey's copper in 1965, and takes something over a quarter of Turkey's chrome exports.

Turkey's exports to the CEMA countries increased from $30.0 million in 1961 to $87.3 million in 1967, or from 8.7 percent of the total exports in 1961 to 16.7 percent in 1967. In cotton exports, the change is quite discernible. Even though cotton exports to the EEC countries increased from $45.3 million in 1961 to $54.7 million in 1967, as a percentage of the total cotton exports they declined from 79.9 percent in 1961 to 41.6 percent in 1967. On the other hand, during the same period cotton exports to the EFTA and CEMA countries increased from $7.3 million to $38.0 million and from $2.1 million to $11.5 million, respectively.

The country breakdown for tobacco exports remained about the same, whereas for hazelnuts the USSR became a large purchaser. Hazelnut exports to the CEMA countries increased from $2.1 million in 1961 to $17.1 million in 1967, or from 6.9 percent of the total hazelnut exports to 20.4 percent.

Table 2

Turkey's Major Exports By Area of Destination

A. Million Dollars at Current Prices

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
1. Cotton							
1961	56.7	51.9	0.2	45.3	7.3	2.7	2.1
1965	100.2	60.6	0.1	34.4	34.2	16.0	11.3
1967	131.5	90.6	0.5	54.7	38.0	13.4	11.5
2. Tobacco							
1961	87.2	70.2	51.2	14.5	4.3	15.0	12.3
1965	90.3	71.6	58.2	10.3	3.1	14.2	11.6
1967	118.0	91.7	74.2	14.2	2.1	21.5	19.7
3. Hazelnuts							
1961	42.1	38.9	1.5	21.7	15.5	2.9	2.1
1965	61.9	51.6	3.1	43.6	4.7	9.7	9.3
1967	84.3	65.8	2.7	53.7	8.6	17.2	17.1
4. Pistachio							
1961	1.6	1.2	1.1	0.1	-	-	-
1965	4.3	4.2	3.9	0.2	-	-	-
1967	4.8	4.7	4.6	-	0.1	-	-
5. Raisins							
1961	17.5	15.4	-	9.2	6.3	1.5	0.9
1965	21.5	16.9	-	9.9	6.9	4.1	4.1
1967	22.7	14.4	0.2	9.4	4.9	7.5	7.5
6. Figs							
1961	4.9	4.3	0.1	2.3	1.8	0.4	0.2
1965	7.0	6.5	0.1	4.1	2.2	0.4	0.2
1967	7.2	6.1	0.1	4.1	1.9	0.8	0.7
7. Citrus							
1961	2.0	1.2	-	1.0	0.2	0.6	0.5
1965	3.9	2.1	-	1.4	0.7	1.4	1.4
1967	6.6	2.5	-	1.3	1.2	4.0	3.9

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

A. Million Dollars at Current Prices

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
8. Cereals							
1961	6.0	3.1	0.7	1.5	0.9	0.4	-
1965	4.1	2.4	-	2.0	0.4	1.7	1.4
1967	1.6	0.8	-	0.6	0.2	0.7	0.7
9. Mohair & Wool							
1961	16.8	10.6	1.0	2.0	7.5	3.8	3.2
1965	13.0	4.7	0.2	0.7	3.8	8.1	7.3
1967	8.9	1.8	0.1	0.5	1.2	7.0	6.7
10. Livestock & Products							
1961	24.8	4.8	1.8	2.6	0.4	3.8	2.9
1965	28.3	5.1	1.5	2.7	0.9	7.4	5.9
1967	17.5	4.9	1.4	2.9	0.6	2.5	2.0
11. Olive Oil							
1961	0.1	0.1	0.1	-	-	-	-
1965	11.5	8.1	0.9	6.9	0.3	3.5	3.5
1967	6.8	6.8	0.3	6.2	0.3	-	-
12. Fish							
1961	3.0	0.9	-	0.9	-	1.2	0.6
1965	4.7	2.5	-	2.3	0.1	1.2	0.9
1967	5.7	3.9	0.1	3.6	0.3	0.8	0.1
13. Oil Seed Cakes							
1961	8.7	7.3	0.1	0.4	6.8	1.4	1.1
1965	17.9	13.2	0.1	0.9	12.3	4.4	2.5
1967	23.4	19.6	-	2.6	17.0	3.7	3.6
14. Bran & Other Fodder							
1961	8.7	7.3	0.1	0.4	6.8	1.4	1.1
1965	17.9	13.2	0.1	0.9	12.3	4.4	2.5
1967	23.4	19.6	-	2.6	17.0	3.7	3.6

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

A. Million Dollars at Current Prices

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
15. Opium & Root Extracts							
1961	3.5	2.3	0.4	1.1	0.8	0.5	0.3
1965	4.8	3.3	1.6	1.1	0.6	0.6	0.2
1967	3.5	2.5	0.9	0.9	0.7	0.3	0.2
16. Oil Seeds							
1961	5.0	3.4	0.4	2.6	0.4	0.6	0.3
1965	6.4	3.9	0.8	2.5	0.6	0.5	0.5
1967	3.5	2.5	0.6	1.6	0.3	0.8	0.8
17. ChickPeas, Beans, Lentils							
1961	7.0	2.9	-	2.7	0.2	0.5	0.1
1965	5.1	2.3	-	2.2	0.1	1.1	0.6
1967	4.1	1.1	-	0.9	0.3	1.9	1.3
18. Lumber & Products							
1961	1.2	0.5	-	0.2	0.3	0.3	0.2
1965	1.8	0.6	-	0.3	0.3	0.6	0.5
1967	1.8	1.0	-	0.4	0.5	0.5	0.5
19. Sugar & Products							
1961	16.7	4.4	-	4.4	-	8.5	0.7
1965	8.9	1.9	0.1	1.6	0.2	3.9	-
1967	7.8	2.5	-	1.9	0.5	5.2	-
20. Textiles							
1961	2.6	2.4	-	1.0	1.4	-	-
1965	4.5	4.0	0.2	2.6	1.2	0.4	0.3
1967	3.0	2.1	0.5	0.6	0.9	0.7	0.7
21. Ferro-Chrome							
1961	-	-	-	-	-	-	-
1965	1.7	1.6	0.2	0.8	0.6	0.1	0.1
1967	1.5	0.7	-	0.4	0.3	0.8	0.8

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

A. Million Dollars at Current Prices

Commodities	Total Exports	Consortium Total a/	U.S.	EEC	EFTA	Bilateral Total	CEMA
22. Petroleum Products							
1961	0.2	0.2	-	-	0.2	-	-
1965	5.5	5.0	-	1.4	3.6	-	-
1967	0.4	0.3	-	0.1	0.2	-	-
23. Copper							
1961	4.8	0.8	-	0.5	0.5	0.1	0.1
1965	16.9	15.5	6.1	9.4	-	-	-
1967	16.6	2.2	0.5	0.6	1.0	-	-
24. Borates							
1961	2.2	1.8	-	1.5	0.3	0.2	0.2
1965	4.7	3.8	0.3	3.0	0.5	0.6	0.6
1967	5.8	4.4	0.6	3.5	0.4	1.0	1.0
25. Chrome							
1961	11.1	10.8	4.0	4.6	2.3	0.2	0.1
1965	9.5	5.3	2.6	1.7	1.0	3.6	2.9
1967	7.2	4.0	2.0	1.1	0.8	3.2	3.2
26. Magnesite							
1961	-	-	-	-	-	-	-
1965	1.0	1.0	-	0.2	0.8	-	-
1967	1.6	1.5	0.1	0.3	1.1	0.1	0.1
Total 26 Items							
1961	326.7	240.0	62.6	120.6	57.5	44.9	27.9
1965	442.3	299.9	80.0	148.0	79.5	84.1	65.7
1967	497.7	338.4	89.4	166.9	83.6	94.4	82.8
Other Items							
1961	20.0	14.4	2.6	8.0	3.9	1.8	2.1
1965	21.4	15.0	2.3	8.9	3.9	4.6	2.6
1967	25.0	17.2	3.5	9.8	4.1	5.9	4.5
Total Exports							
1961	346.7	254.4	65.2	128.6	61.4	46.7	30.0
1965	463.7	314.9	82.3	156.9	83.4	88.7	68.3
1967	522.7	355.6	92.9	176.7	87.7	100.3	87.3

a/ Consortium includes the EEC countries, the EFTA countries except Portugal, the U.S., and Canada

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

B. Percentage of Total

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
1. Cotton							
1961	100.0	91.5	-	79.9	12.9	4.8	3.7
1965	100.0	60.5	-	34.3	34.1	16.0	11.3
1967	100.0	68.9	-	41.6	28.9	10.2	8.7
2. Tobacco							
1961	100.0	80.5	58.7	16.6	4.9	17.2	14.1
1965	100.0	79.3	64.5	11.4	3.4	15.7	12.8
1967	100.0	77.7	62.9	12.0	1.8	18.2	16.7
3. Hazelnuts							
1961	100.0	92.4	3.6	51.5	36.8	6.9	5.0
1965	100.0	83.4	5.0	70.4	7.6	15.7	15.0
1967	100.0	78.1	3.2	63.7	10.2	20.4	20.3
4. Pistachio							
1961	100.0	75.0	68.8	6.3	-	-	-
1965	100.0	97.7	90.7	4.7	-	-	-
1967	100.0	97.9	95.8	-	2.1	-	-
5. Raisins							
1961	100.0	88.0	-	52.6	36.0	8.6	5.1
1965	100.0	78.6	-	46.0	32.1	19.1	19.1
1967	100.0	63.4	0.9	41.4	21.6	33.0	33.0
6. Figs							
1961	100.0	87.8	2.0	46.9	36.7	8.2	4.1
1965	100.0	92.9	2.0	58.6	31.4	5.7	2.8
1967	100.0	84.7	1.0	56.9	26.4	11.1	9.7
7. Citrus							
1961	100.0	60.0	-	50.0	10.0	30.0	25.0
1965	100.0	53.8	-	35.9	17.9	35.9	35.9
1967	100.0	37.9	-	19.7	18.2	60.6	59.1
8. Cereals							
1961	100.0	51.7	11.7	25.0	15.0	6.7	-
1965	100.0	58.5	-	48.8	9.8	41.5	34.1
1967	100.0	50.0	-	37.5	12.5	43.8	43.8

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

B. Percentage of Total

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
9. Mohair & Wool							
1961	100.0	63.1	6.0	11.9	44.6	22.6	19.0
1965	100.0	36.2	1.5	5.4	29.2	62.3	56.2
1967	100.0	20.2	1.1	5.6	13.5	78.7	75.3
10. Livestock & Products							
1961	100.0	19.4	7.3	10.5	1.6	15.3	11.7
1965	100.0	18.0	5.3	9.5	3.2	26.1	20.8
1967	100.0	28.0	8.0	16.6	3.4	14.3	11.4
11. Olive Oil							
1961	100.0	100.0	100.0	-	-	-	-
1965	100.0	70.4	7.8	60.0	2.6	30.4	30.4
1967	100.0	100.0	4.4	91.2	4.4	-	-
12. Fish							
1961	100.0	30.0	-	30.0	-	40.0	20.0
1965	100.0	53.2	-	48.9	2.1	25.5	19.1
1967	100.0	68.4	1.8	63.2	5.3	14.0	1.8
13. Oil Seed Cakes							
1961	100.0	83.9	1.0	4.5	78.2	16.1	12.6
1965	100.0	73.7	0.6	5.0	68.7	24.6	14.0
1967	100.0	83.8	-	11.1	72.6	15.8	15.4
14. Bran & Other Fodder							
1961	100.0	60.0	-	50.0	10.0	30.0	-
1965	100.0	75.9	-	62.1	13.8	20.7	20.7
1967	100.0	52.6	-	42.1	10.5	42.1	36.8
15. Opium & Root Extracts							
1961	100.0	65.7	11.4	31.4	22.9	14.3	8.6
1965	100.0	68.8	33.3	22.9	12.5	12.5	4.2
1967	100.0	71.4	25.7	25.7	20.0	8.6	5.7

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

B. Percentage of Total

Commodities	Total Exports	Consortium Total[a]	U.S.	EEC	EFTA	Bilateral Total	CEMA
16. Oil Seeds							
1961	100.0	68.0	8.0	52.0	8.0	12.0	6.0
1965	100.0	60.9	12.5	39.1	9.4	7.8	7.8
1967	100.0	71.4	17.1	45.7	8.6	22.9	22.9
17. Chick Peas, Beans Lentils							
1961	100.0	41.4	-	38.6	2.9	7.1	1.4
1965	100.0	45.1	-	43.1	2.0	21.6	11.8
1967	100.0	26.8	-	22.0	7.3	46.3	31.7
18. Lumber & Products							
1961	100.0	41.7	-	16.7	25.0	25.0	16.7
1965	100.0	33.3	-	16.7	16.7	33.3	27.8
1967	100.0	55.6	-	22.2	27.8	27.8	27.8
19. Sugar & Products							
1961	100.0	26.3	-	26.3	-	50.9	4.2
1965	100.0	21.3	1.1	18.0	2.2	43.8	-
1967	100.0	32.1	-	24.4	6.4	66.7	-
20. Textiles							
1961	100.0	92.3	-	38.5	53.8	-	-
1965	100.0	88.9	4.4	57.8	26.7	8.9	6.7
1967	100.0	70.0	16.7	20.0	30.0	23.3	23.3
21. Ferro-Chrome							
1961	-	-	-	-	-	-	-
1965	100.0	94.1	11.8	47.1	35.3	5.9	5.9
1967	100.0	46.7	-	26.7	20.0	53.3	53.3
22. Petroleum Products							
1961	100.0	100.0	-	-	100.0	-	-
1965	100.0	90.9	-	25.5	65.4	-	-
1967	100.0	75.0	-	25.0	50.0	-	-

Table 2 (Cont.)

Turkey's Major Exports By Area of Destination

B. Percentage of Total

Commodities	Total Exports	Consortium Total[a/]	U.S.	EEC	EFTA	Bilateral Total	CEMA
23. Copper							
1961	100.0	16.7	-	10.4	10.4	2.1	2.1
1965	100.0	91.7	36.1	55.6	-	-	-
1967	100.0	13.3	3.0	3.6	6.0	-	-
24. Borates							
1961	100.0	81.8	-	68.2	13.6	9.1	9.1
1965	100.0	80.9	6.4	63.8	10.6	12.8	12.8
1967	100.0	75.9	10.3	60.3	6.9	17.2	17.2
25. Chrome							
1961	100.0	97.3	36.0	41.4	20.7	1.8	0.9
1965	100.0	55.7	27.4	17.9	10.5	37.9	30.5
1967	100.0	55.6	27.8	15.3	11.1	44.4	44.4
26. Magnesite							
1961	-	-	-	-	-	-	-
1965	100.0	100.0	-	20.0	80.0	-	-
1967	100.0	93.8	6.3	18.8	68.8	6.3	6.3
Total 26 Items							
1961	100.0	73.5	19.2	36.9	17.6	13.7	8.5
1965	100.0	67.8	18.1	33.5	18.0	19.0	14.9
1967	100.0	68.0	18.0	33.5	16.8	19.0	16.6
Other Items							
1961	100.0	72.0	13.0	40.0	19.5	9.0	10.5
1965	100.0	70.1	10.7	41.6	18.2	21.5	12.1
1967	100.0	68.8	14.0	39.2	16.4	23.6	18.0
Total Exports							
1961	100.0	73.4	18.8	37.1	17.7	13.5	8.7
1965	100.0	67.9	17.7	33.8	18.0	19.1	14.7
1967	100.0	68.0	17.8	33.8	16.8	19.2	16.7

a/ Consortium includes the EEC countries, the EFTA countries except Portugal, the U.S., and Canada.

As can be seen in the following table, much of the increase in Turkey's exports to the CEMA countries took place in traditional products. One could draw the conclusion that since Turkey has large stocks of these products it is generally difficult to sell the entire stocks in the free trade areas. This would be true for tobacco, hazelnuts, raisins, and chrome.

Increase in Turkey's Exports to the Eastern European (CEMA) Bilateral Agreement Countries (1961, 1967)

(million dollars at current prices)

Commodities	1961	1967	Absolute increase
Cotton	2.1	11.5	9.4
Tobacco	12.3	19.7	7.4
Hazelnuts	2.1	17.1	15.0
Raisins	0.9	7.5	6.6
Citrus	0.5	3.9	3.4
Mohair and wool	3.2	6.7	3.5
Oil seed cakes	1.1	3.6	2.5
Chrome	0.1	3.2	3.1
Total	22.3	73.2	50.9
Other	7.7	14.1	6.4
Total exports to CEMA	30.0	87.3	57.3

On the other hand, in the past Turkey's exports to the bilateral agreement countries showed a tendency to increase whenever the domestic prices rose rapidly so as to limit exports to free markets. Therefore, some people suggest that the present exchange rate hinders exports to the free trade areas.

It would be safe to assert that both of these points have some merit and that recent agreements between Turkey and the CEMA countries, especially the USSR concerning the new investment projects, also contributed to the enhancement of their trade relations.

Seasonality in Exports. Due to the fact that over 85 percent of Turkey's exports consist of agricultural products, there is visible seasonality. Exports begin to pick up in September at the opening of the crop season, reach the peak point in December and stay at a high point through March. They begin to decline in April and reach the lowest point in July or August (Table 3).

As shown in the following table on exports on a crop-year basis, about 75 percent of the total exports are made in the September-March period. The above figures do not show any visible change in seasonality during the 1961-1967 period. Certainly there are slight deviations from year to year but no significant change in either direction.

Exports by Crop Season
(million dollars and percent)

	1962-1963		1963-1964		1964-1965		1965-1966		1966-1967	
	Mill.$	%	Mill.$	%	Mill.$	%	Mill.$	%	Mill.$	%
September-March	304.4	79.1	261.6	73.4	324.1	68.4	352.4	74.1	357.7	75.5
April-August	80.4	20.9	95.0	26.6	149.5	31.6	123.1	25.9	116.0	24.5
	384.8	100.0	356.6	100.0	473.6	100.0	475.5	100.0	473.7	100.0

One can expect a more even distribution of exports throughout the year only if the share of manufactured items and minerals in total exports increase in the coming years.

B. Second Five Year Plan Targets

The SPO estimates total export earnings during the Second Five Year Plan to increase at just over 7 percent per year. This compares with 6.5 percent during the First Five Year Plan and thus does not represent a startingly different target if recent history is representative of what can be achieved. The contrast, however, is in where the increases are expected. During the

Table 3

Turkey's Commodity Exports By Months

(Million Dollars at Current Prices and
Percent Deviation from Monthly Average)

	1962		1963		1964		1965	
	Mill.$	% Deviation	Mill.$	% Deviation	Mill.$	% Deviation	Mill.$	% Deviation
January	42.9	134.9	40.9	133.2	34.5	100.9	34.7	89.9
February	29.1	91.5	42.0	136.8	26.6	77.8	31.8	82.4
March	23.8	74.8	41.7	135.8	37.4	109.4	40.3	104.4
April	16.6	52.2	20.0	65.1	27.2	79.5	41.0	106.2
May	33.4	105.0	14.9	48.5	20.8	60.8	32.4	83.9
June	18.9	59.4	14.9	48.5	22.1	64.6	27.3	70.7
July	19.0	59.7	15.8	51.5	12.5	36.5	24.2	62.7
August	17.7	55.7	14.8	48.2	12.4	36.3	24.6	63.7
September	32.3	101.6	31.3	102.0	34.7	101.5	39.7	102.8
October	47.5	149.4	42.9	139.7	50.1	146.5	34.3	88.9
November	48.0	150.9	40.3	131.3	55.3	161.7	54.5	141.2
December	52.0	163.5	48.6	158.3	77.2	225.7	78.9	204.4
Total Exports	381.2		368.1		410.8		463.7	
Monthly Average	31.8	100.0	30.7	100.0	34.2	100.0	38.6	100.0

Table 3 (Cont.)

Turkey's Commodity Exports By Months

(Million Dollars at Current Prices and Percent Deviation from Monthly Average)

	1966		1967		6 Year Average % Deviation
	Mill.$	% Deviation	Mill.$	% Deviation	
January	51.9	126.9	51.2	117.4	117.2
February	50.4	123.2	42.9	98.4	101.7
March	42.7	104.4	41.2	94.5	103.9
April	34.6	84.6	43.9	100.7	81.4
May	25.1	61.4	28.3	64.9	70.8
June	22.6	55.3	22.7	52.1	58.4
July	15.3	37.4	21.1	48.4	49.4
August	25.5	62.3	24.3	55.7	53.7
September	35.2	86.1	38.1	87.4	96.9
October	55.1	134.7	56.7	130.0	131.5
November	52.1	127.4	75.2	172.5	147.5
December	80.0	195.6	77.1	176.8	187.3
Total Exports	490.5		522.7		
Monthly Average	40.9	100.0	43.6	100.0	100.0

First Five Year Plan period, exports of agricultural commodities increased at the rate of about 6.7 percent per year. The Second Plan expects this increase to drop to 4 percent. In contrast, manufactured items (including minerals) are expected to increase at 20 percent per year in contrast with 5 percent during the First Five Year Plan period.

Specific targets are also interesting. Exports of the textile industry are supposed to reach $33 million by 1972 from an actual base of $2.3 million in 1967; chemical exports are supposed to grow from less than $1 million to $12 million by 1972; products of the hide and leather industry are supposed to grow from virtually nothing to $9 million. In contrast, cotton and tobacco, the mainstays of Turkey's exports and the source of rapid growth in the past, are expected to grow from the actual base of $250 million in 1967 to only $258 million in 1972.

Major changes in the structure of Turkey's exports would require the implementation of rapid, effective and major changes in the existing system of export incentives, changes that would be directly aimed at two specific problems: (a) the non-competitiveness of Turkish manufactured goods on the world market at the current exchange rate, and (b) the lack of virtually any effective set of institutions for education of Turkish exporters on such questions as standardization, grading, quality control, and overseas promotion of Turkish products. In evaluating the SPO's export targets we have taken the realistic view that existing incentives will be somewhat strengthened and somewhat greater emphasis will be placed on exporting but that no major reforms will be undertaken. The depressing alternative of a deterioration of Turkey's competitive position and a lessening of emphasis on exports has not been considered,

since there is no evidence to suggest that these events are imminent. Our evaluation is presented in the form of a "low" and a "high" projection of each of the major components of Turkey's exports. Insofar as possible, our projections are measured against the targets in the Turkish Second Five Year Plan, although this is difficult because the Five Year Plan categories are often not comparable to those used in the official Turkish foreign trade statistics.

In the light of our own projections, presented in Table 4 and discussed in detail in Annex A, the SFYP targets appear fairly conservative with respect to total exports, and within the total, particularly conservative with respect to agricultural exports. The SFYP targets for manufactured exports, however, appear highly optimistic. The SPO's view of the future pattern of exports is, of course, consistent with the aim of making industry the leading sector of the economy. However, this view underestimates both the agricultural potential of Turkey and the two major obstacles to exporting manufactured goods, namely the relative unprofitability of exporting manufactures because of their high domestic cost of production and the need for an organized marketing effort to break into world markets for industrial goods.

Examination of Turkey's future exports by commodity indicates to us that within agricultural products the SPO's Second Five Year Plan projections were particularly conservative for several of Turkey's major traditional exports, particularly tobacco and hazelnuts, and for one of the newer exports, citrus. Part of the difference in judgement results, however, from events which have occurred since the Second Five Year Plan was drafted in early 1967. One such event was the decision of the USSR to increase sharply its purchases of hazelnuts, in order to facilitate Turkey's repayment of Soviet project loans.

Table 4

Turkey's Commodity Exports:
Projections for 1972

(million dollars)

	Actual 1967	AID Estimated 1972 Low	AID Estimated 1972 High	SPO Projection 1972
1. Agricultural Products	463.9	535.6[a]	592.0[a]	493.8[b]
a. Cotton	131.5	144.2	140.9	150.0
b. Tobacco	118.0	107.6	119.8	107.6
c. Nuts	91.9	95.5	102.1	n.a.
(1) Hazelnuts	(84.3)	(83.6)	(90.2)	(68.0)
(2) Other nuts:				
(a) Pistachios	(4.8)	(8.9)	(8.9)	(8.9)
(b) Other	(2.8)	(3.0)	(3.0)	(n.a.)
d. Dried fruit	31.6	37.2	37.2	n.a.
(1) Raisins	(22.7)	(26.1)	(26.1)	(25.2)
(2) Figs	(7.2)	(9.1)	(9.1)	(8.9)
(3) Other	(1.7)	(2.0)	(2.0)	(n.a.)
e. Fresh fruit and vegetables	8.3	17.1	31.6	10.4
(1) Citrus	(6.6)	(13.1)	(27.6)	(8.4)
(2) Other fruit	(1.1)	(2.0)	(2.0)	(1.0)
(3) Vegetables	(0.6)	(2.0)	(2.0)	(1.0)
f. Cereals	1.6	25.9	41.6	n.a.
(1) Wheat	(-)	(22.1)	(37.8)	(n.a.)
(2) Other cereals	(1.6)	(3.8)	(3.8)	(n.a.)
g. Mohair and wool	8.9	10.2	10.2	10.2
(1) Mohair and hair	(6.8)	(4.7)	(4.7)	(4.7)
(2) Wool	(2.1)	(5.5)	(5.5)	(5.5)
h. Livestock and products	17.6	23.4	32.6	n.a.
(1) Live animals	(9.1)	(9.1)	(18.3)	(18.3)
(2) Meat	(-)			
(3) Dairy products	(-)	(1.0)	(1.0)	(2.4)
(4) Guts	(2.9)	(4.0)	(4.0)	(n.a.)
(5) Hides and skins	(5.4)	(9.0)	(9.0)	(13.1)
(6) Furs	(0.2)	(0.3)	(0.3)	(n.a.)
i. Olive oil	6.8	13.9	13.9	13.9
j. Other agricultural products	47.7	60.6	62.1	n.a.
(1) Fish	(5.7)	(6.1)	(6.1)	(6.1)
(2) Oil seed cakes	(23.4)	(35.0)	(35.0)	(n.a.)
(3) Bran and other fodder	(2.0)	(2.0)	(2.0)	(n.a.)
(4) Opium, root extracts, etc.	(3.5)	(1.5)	(3.0)	(n.a.)
(5) Oil seeds	(3.5)	(4.0)	(4.0)	(n.a.)
(6) Pulses	(4.1)	(6.0)	(6.0)	(n.a.)
(7) Other	(5.5)	(6.0)	(6.0)	(n.a.)

Table 4 (cont.)

Turkey's Commodity Exports:
Projections for 1972

(million dollars)

	Actual 1967	AID Estimated 1972 Low	AID Estimated 1972 High	SPO Projection 1972
2. Manufactures	20.9	63.4	91.8	150.7 c/
a. Lumber and products	1.8	8.6	15.0	8.6
b. Food products	11.7	16.1	19.8	23.8
(1) Sugar and products	(7.8)	(9.8)	(9.8)	(9.8)
(2) Fig paste	(0.6)	(1.5)	(1.5)	(n.a.)
(3) Other	(3.3)	(4.8)	(8.5)	(14.0)
c. Textiles and clothing	3.0	25.6	37.6	52.2
(1) Fabrics	(2.3)	(23.3)	(33.2)	(33.4)
(2) Yarn	(0.1)	(0.2)	(0.2)	(n.a.)
(3) Clothing and shoes	(0.6)	(2.1)	(4.2)	(18.8)
d. Chemicals and pharmaceuticals	0.9	1.0	1.0	12.2
e. Metals and metal manufactures	2.0	6.5	9.2	42.8
(1) Ferro chrome	(1.5)	(2.5)	(2.7)	(6.7)
(2) Electrolytic copper	(-)	(-)	(-)	(-)
(3) Other	(0.5)	(4.0)	(6.5)	(36.1)
f. Tires and rubber	-	-	-	-
g. Other manufactures	1.4	5.6	9.2	11.1
(1) Petroleum products	(0.4)	(-)	(-)	(-)
(2) Stone, clay, glass & cement	(0.3)	(3.8)	(7.4)	(10.3)
(3) Other	(0.7)	(1.8)	(1.8)	(0.8)
3. Minerals	37.9	54.0	84.0	75.5
a. Copper	16.6	17.0	40.0	41.1
b. Borates	5.8	8.0	15.0	8.2
c. Chrome	7.3	6.0	6.0	6.7
d. Lead-zinc	0.7	2.0	2.0	1.1
e. Magnesite	1.6	3.0	3.0	6.8
f. Other	5.9	18.0	18.0	11.6
TOTAL EXPORTS	522.7	653.0	767.8	720.0

a/ Low and high projections for cotton are reversed so that low raw cotton exports are consistent with high textile exports and high raw cotton exports with low textile exports.

b/ Subtotal for "1.Agricultural products" is residual item in column (equals Total less 2. Manufactures less 3. Minerals), and exceeds sum of numerical entries under agricultural products because of large number of n.a. entries.

c/ Subtotal for "2.Manufactures" is sum of numerical entries under manufactures, with n.a. entries taken as zero.

Another was the decision of the Government of Turkey, implemented with the SPO's 1968 Annual Program, to promote the acquisition of refrigerated transport equipment. The SPO's raw cotton export target, on the other hand, seems to be quite reasonable; our value projections differ from the SPO's mostly because of a different price assumption. Our Table 4 takes into consideration the fact that for any given level of domestic consumption of cotton textiles, the higher the level of textile exports, the lower will be the quantity of raw cotton available for export.

A further development holding great promise for Turkey's exports, also unforeseen at the time the Second Five Year Plan was drafted, has been the introduction of Mexican wheat into Turkey's coastal areas in time for the spring planting of 1968. The Mexican wheat program promises over a doubling of yields in the coastal regions where the climate is suitable. As use of the new seed is extended to the entire coastal region, it will result in a one-time increase in wheat production which should exceed growing domestic requirements for several years and provide an exportable surplus of between 370,000 and 630,000 metric tons (or between $22 million and $38 million at the present world price of $60/MT) in 1972. Any projection of this sort is a hazardous one, however, both because the results of the new wheat seed in Turkey will not be known until the current harvest is in (and perhaps not effectively calculable until the planting and harvesting of next year, 1969); and because future consumption patterns are particularly difficult to project owing to the poor state of Turkey's agricultural statistics and the rapidity of the structural changes being experienced by Turkey at the present time.

One of Turkey's major export potentials is in fresh fruits (other than citrus) and vegetables. However, its realization depends on resolving the organizational and institutional problems discussed later in this paper and really significant returns are not to be expected by 1972.

Livestock and livestock products are a particularly interesting case, being the sector in which Turkey has the most evident competitive advantage if measured in terms of comparative prices and of physical endowments. A good part of the benefit of this comparative advantage is currently being appropriated, however, by the smugglers operating along Turkey's long borders with Iran and Syria. Some increase in official export earnings is to be garnered by rediverting livestock to official channels through a combination of police measures (likely by themselves to be ineffective) and economic measures such as the creation of meat packing facilities in Eastern Turkey and the provision of refrigerated transport to get meat to Iran and the Arab countries. Expansion of livestock and livestock product exports to new markets in Europe is blocked in the immediate future by the prevalence of hoof and mouth disease in Turkey and in the longer run by the intractable necessity for systematic development of livestock herds and of domestic sources of supply of animal feeding stuffs.

The prospects for expansion of manufactured exports appear to us, on the whole, less optimistic than implied by the Second Five Year Plan targets. This is especially so for really new export sectors such as chemicals and pharmaceuticals, metal goods, and stone, clay and glass products.

Lumber is a sector with a vast export potential for the longer run, but one which requires major changes in pricing policy and organization before the potential becomes an actuality. In this case, however, the Second Five Year Plan target may be considered a conservative estimate.

The sector within manufacturing showing the largest immediate potential for expansion of exports is textiles. Textile production capacity, particularly in the private sector, has grown rapidly over the past several years and for the time being seems to have outstripped domestic demand. Consequently, Turkish textile manufacturers can no longer expect the enormous profits they have been making on domestic sales and are therefore under pressure to turn to markets abroad. In attempting this they face a number of difficulties: obvious overvaluation of the Turkish currency; high production costs; production and sales organizations geared to domestic tastes; lack of experience with foreign marketing; and quantitative restrictions imposed on imports of unbleached cloth and other textile fabrics by the industrialized countries of the West (in particular the Federal Republic of Germany and the United Kingdom). Recent increases in export rebates (April 1968), in some textile lines to over 50 percent of the f.o.b. price, should at least have put Turkish producers in a position to cover their costs on articles they export. Significant organizational changes will, however, have to be made in order to permit them to enter new markets, particularly in Western Europe. Sales organizations will have to be set up and new commercial relations established. Production runs will have to be longer than is currently the practice in Turkey and will have to be consciously geared to foreign markets. Pattern changes will have to be made

much faster than at present or else direct contacts will have to be made with purchasers who will supply their own new patterns before the fashion season starts. The SPO's target for exports of cotton cloth and knitted goods co bined seems reasonable. However, the SPO's target for clothing articles appears to us to be over-optimistic.

Mineral export possibilities appear fairly firm, although reaching a blister copper export target of $40 million (44,000 MT at current world copper prices) depends upon the completion of the Black Sea copper project at Samsun. Our high projection for borates, which is considerably above that of the SPO, assumes that the Government of Turkey will accord operating rights to the British company, Borax Consolidated. Our projection is considerably lower than the SPO's for magnesite, and somewhat higher for all minerals taken together.

III. The Existing Export System

A. Export Procedures

Turkey's exporting system is regulated by an annual Council of Ministers' "Decree on Foreign Trade Regulation," prepared by the Ministry of Commerce.[1/] This decree places most Turkish exports under some degree of control. For the major foreign exchange earners, the authorities control prices of exports either directly (e.g., on tobacco and on hazelnuts exported through Fiskobirlik) or indirectly by registration (e.g., on cotton and figs). For most of the less important commodities the Government requires only that exporters register their trade with the appropriate authority (usually an exporters union). The authority checks to make sure that the export price is a reasonable one, on the rationale that an abnormally low price probably means the exporter has arranged to have an additional amount deposited to his account in a foreign bank. Sales on consignment or to "Bilateral Agreement" countries are subject to additional requirements.

Specific control measures include: (1) registration by designated authorities, with or without price control, (2) licensing by the Ministry of Commerce, after registration, (3) certification by the customs authorities, and (4) approvals by other agencies in specific instances. Finally, in the case of goods subject to quantitative export controls (primarily exports to bilateral agreement countries), the registration authority sets minimum prices and the Ministry of Commerce assigns quotas to exporters in descending order of export price.

1/ The latest, in the "Official Gazette" No. 12630 dated 24 June 1967.

Registration. Registration is required for all commodities on Lists I/A and I/B, all items sold on a consignment basis, and all exports through Turkey's southern and eastern borders.

List I/A includes:

> Cotton (including linters), mohair, goat hair, oil seeds, dried figs (processed, natural, paste, or mashed), mineral ores, marble, and pulses.

List I/B includes:

> Filberts (hazelnuts), seedless raisins, tobacco, bran, all kinds of oil-seed cakes, guts, walnut logs and timber, olive oil, and sheep and goat skins.

For List I/A goods, the purpose of registration is to obtain price and quantity information prior to export to facilitate implementation of a commodity and price policy. Although prices are not controlled, an exporter is subject to later prosecution if the Government can prove that he underpriced his exports in order to evade foreign exchange controls. For List I/B commodities, the purpose is to prevent "artificial price fluctuations and speculation." Export is prohibited if the sales price is less than either the prevailing local or international prices or any minimum price set by the Ministry of Commerce. Exports through Turkey's southern and eastern borders are also subject to this price control.

The registration authority may be any one of the following: (a) an exporters' union, (b) the Committee of Chrome Ore Producers, (c) the Miners' Association, for non-chrome minerals, (d) the Aegean, Istanbul, or Samsun Tobacco Producers' Union, acting under authority of the Tobacco Producers' Federation, or (e) the local Chamber of Commerce or a liaison bureau under its jurisdiction.

Licensing. A wide range of items are subject to licensing by the Ministry of Commerce (or its authorized agent). They include (a) all exports under bilateral trade agreements; (b) wheat, barley, oats, corn and rye, which can be exported only by the Government's Soil Products Office (TMO), wheat and oat flour, molybdenum, tungsten, and all metal scrap (the latter only after special permission from the Ministry of Industry), articles made of or containing precious metals and stones; margarine; cotton, sunflower, sesame, and soybean oil seeds, fresh and salted fresh skins, and fertilizers of all sorts; (c) all goods for which imports are permitted; (d) "provisional" exports (those which will be reimported after some processing abroad); and (e) most consignment sales.

Exporters who require a license must register the proposed exports, as described above. The registration authority then forwards the documents to the Ministry of Commerce for approval and the Ministry of Commerce must then approve the registration form, which constitutes a license to export. The exporter must then export his goods within 30 to 90 days. (This may be extended up to 30 days or up to one year in the case of some metals and ores.)

Other Approvals. Approvals from various government agencies are also required for exports of the following products:

a. Certain exports (see below) to the EEC and Agreement countries (Customs Department)

b. Exports of metal scrap (Ministry of Industry)

c. Exports subject to the "Law on Protection of the Value of Turkish Currency," most important of which are precious metals and stones (Ministry of Finance).

Special Procedures. Special procedures are required for a number of export transactions. In the case of certain exports to European Economic Community (EEC) countries, for example, a "Certificate of Circulation" has to be obtained for each export of these items. These Certificates confirm that the goods are of Turkish origin, and are valid for two months. The purpose of this requirement is to insure that the EEC countries apply the reduced import duties to Turkey's exports of tobacco, raisins, dried figs and filberts to which they are entitled by virtue of Turkey's associate membership in the Common Market.

Another set of special procedures apply to trade with bilateral agreement countries (primarily Eastern European countries). Exporters to these countries must first obtain an export license from the Ministry of Commerce for all transactions. The only exception is fresh fish exports which customs authorities can allow to be shipped without licensing, provided that the exporter presents a license within five days after the export. Individual export agreements may be conducted only after publication in the Official Gazette of the trade protocol with a particular country. In addition, specific approval from the Ministry of Commerce must be obtained for the following: cotton, livestock, skins and pelts of sheep and goats, guts, mohair, goat hair, olive oil, sunflower seeds, sesame, oil cakes, bran, hazelnuts (filberts), walnut logs, opium, and chrome ore. The registration authority determines the minimum prices for all commodities exported to bilateral agreement countries.[1/] For items under direct Ministry of Commerce control, the Ministry collects all applications from the registration

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1/ Quotas are occasionally established also for non-agreement countries for exports of cottonseed, when warranted by shortages and price considerations.

authorities and assigns export quotas to those exporters who sell at the highest price until the quota is exhausted. No exporter can export more than 20 percent of the total quota except with special approval by the Ministry; and each exporter can obtain only one quota, even if he is listed with more than one registration authority. Forward sales, consignment sales, and (in most cases) time-delivery sales are not allowed.

Consignment Sales. Consignment sales are allowed only for sales to be paid for with convertible currencies. Sales contracts must have either a single agreed price or a minimum guaranteed price to the exporters plus a minimum of 50 percent of the excess to the seller. Registration and licensing are required for all items except fresh and canned fruits, fresh and canned vegetables, wine, snails, shrimp and related sea products, fresh, frozen and preserved fish, black and green olives, carpets, souvenir articles, handicrafts, woolen and cotton textiles, clothing and other wearing apparel, colognes, and meat and meat products. For these items, only registration is required.

Goods must be exported within 30 days of approval; and sales abroad must be completed within three months for perishables and six months for non-perishables. In some cases, registration authorities can extend the time up to two years. Changes in country of destination are permissible, but exporters must notify the registration authority and a Central Bank branch office. Changes in consignee can also be made with special permission.

Forward Sales. These are sales concluded prior to harvesting of the crop to be exported. Such sales can be concluded only for free foreign exchange, are limited to three or four months in advance of shipment, and are subject to additional regulations of the Ministry of Commerce.

Provisional Exports. Provisional exports are sales of raw materials or semi-processed items which are reimported after processing abroad. Approval of the Ministry of Commerce is required for the export of such items. The application must also include price and other information.

Payment Procedures. In general, Turkey's export trade is conducted on the basis of letters of credit. In practice, this means that the exporter is paid for his shipment after the Turkish bank is notified (and receives the LC documents) that the foreign buyer has opened a letter of credit in favor of the Turkish supplier. Letters of credit are normally opened by the buyers to coincide with the anticipated shipping date of the goods, so that the exporter will generally get paid after the goods are shipped but before they reach their destination. Some Turkish banks do not follow this rule and pay the exporter only after receipt of a notice that the payment has actually been transferred. This delays payment, and the exporter receives his money roughly at the time of the delivery of goods at the foreign port or about three to four weeks after the actual shipping date.

Exporting on the basis of letters of credit is, like everywhere, preferred by the suppliers but some exports are also transacted on the basis of payment against documents. When handled on this basis, the shipping documents are entrusted to a bank to be released only after the buyer pays for the shipment.

Export credit is usually not available and the practice of "banking" confirmed orders is not followed by Turkish banks. Thus, advance payments to the exporters are rare. An exception is tobacco, for which both banks and buyers extend advance payments. Partial payment for goods during the preparation phase are possible but not frequent.

There is no regulation that specifies pre-payment of exports except for some shipments from Turkey's southeastern ports to some of the Arab countries. In such cases, the payment must actually be deposited by the foreign buyer and the funds transferred to Turkey's Central Bank before shipment can take place. This, however, affects only a small portion of Turkey's trade and is not applicable to exports to Europe, the United States, and other countries which are considered to be "reliable."

B. Tax Rebates[1/]

In 1963 Turkey adopted an export rebate system which in effect introduced a set of multiple exchange rates for exports. Under the decree currently in force, the rebate ranges from 0 to 56 percent of the f.o.b. price of the exported article. The effective exchange rate for the Turkish exporter thus varies from TL 9/$1 (the official rate) to over TL 14/$1 (the official rate plus the maximum rebate).

Background. Turkey's export rebate system was adopted under the provisions of Law No. 261 of June 27, 1963. This statute authorized the Council of Ministers to encourage the export of Turkish manufactured goods by providing for refunds (or exemptions), in whole or in part, of all taxes, duties, and other official charges entering into the price of such exports. The original implementing provisions of the law were established by Decree No. 6/2453, effective December 5, 1963. The decree established a system of rebates and contained four lists for purposes of administering the law:

List I List of taxes rebatable under the law.

List II Rates of rebate allowable for specific items.

1/ For a more detailed analysis, see Ankara's TOAID A-973 (March 29, 1968), from which this section is drawn, and TOAID A-1141 (May 23, 1968).

List III Commodities excluded from application of rebate system.

List IV Municipality share of tax refunds (for accounting purposes).

The decree in effect converted the existing interdepartmental working committee into a permanent Export Tax Rebate Commission, whose responsibility was to select exportable commodities suitable for rebate, determine the cumulative tax burden per unit on such commodities, and recommend a rate of rebate which would eliminate all or an appropriate part of such burden. The tax burden on each commodity is estimated on the basis of detailed cost estimates of establishments producing the commodity. The collection of accurate cost data is a time-consuming and difficult task.

List I specified the various taxes to be considered by the Commission in the determination of rebate rates. List II contained 39 rates of rebate, all applying to textiles and expressed in specific lira amounts per physical unit. List III consisted of 24 items, primarily Turkey's "traditional" export commodities (metal ores, tobacco, hazelnuts, cotton, figs, etc.) considered ineligible for rebate on statutory or other grounds. List IV carried percentages, to the one-hundredth of one percent, of the total rebate for each List II item, to be used in the readjustment of various budget revenue accounts after payment of rebates.

In order to provide immediate tax relief for promising export items without waiting for the results of a lengthy investigation, the law permitted the payment, after Commission approval of a temporary rebate equal to 10 percent of the export price for any item, not on the excluded list, exported in amounts of TL 90,000 or more during an initial 12-month period. This temporary rate would be replaced as soon as possible by a permanent rate

to be included in List II. Additional payments to, or refunds by, exporters were required, on a retroactive basis, to the extent of the differences between the temporary rate and the permanent rate.

Exporters were given the option, for a given commodity, of using the tax rebate system under Law 261 or of continuing operations under the tax exemption or refund features of earlier laws (Law No. 6802 establishing the production tax and several other tax statutes contained such provisions, but no drawback or refund of customs duties was authorized prior to Law 261.)

Evolution and Operation of System, 1964-1968. It was soon realized that percentage rates of rebate would be easier to administer than unit amounts and less likely to get out of touch with changing costs and prices. Accordingly, the initial decree was replaced by Decree No. 6/3071, effective May 13, 1964, transforming all but a few rates to a percentage basis. The same decree added the income tax on employees' wages to List I. Thereafter, as additional investigations were completed and new rates determined, the number of items in the various lists was steadily expanded under a succession of supplemental decrees. By the end of 1967 List II had grown to more than 100 items or item groups and List III to 33.[1/] In mid-1966 the initial 12-month export volume required in order to bring a new commodity under the system was reduced from TL 90,000 to TL 50,000, and the single 10 percent temporary rate was replaced by temporary rates of 15 percent for products subject to the production tax and 5 percent for others. A major administrative change took place late in 1967 with the replacement of the Export Tax Rebate Commission by a permanent bureau attached to the State Planning Organization. This reflected recent legislation expanding the powers of the SPO to implement the objectives of the current Five Year Plan.

1/ Decree No. 6/8749, effective August 12, 1967; in Official Gazette No. 12713.

From the standpoint of exporters, administrative procedures under Turkey's export rebate system fall into two categories--those governing the establishment of rates and those affecting payment once a rate has been established. In the past exporters have complained of excessive delays in the selection of commodities and the establishment of rates, partly because of the required 12-month waiting period and partly because of slowness of investigations and decisions. This problem has been met in part by a recent (February 1968) expansion of the temporary rate list,[1/] and it is possible that the newly expanded powers of the SPO to promote exports may lead to elimination of the waiting period in appropriate cases. Payment procedures, on the other hand, appear to be simple and efficient. Exporters are provided with cash payments equal to a specified percentage of the export price of eligible commodities. Payment is made by any branch of the Central Bank upon presentation of documents by the exporter evidencing exportation of an eligible item, its export price, and quantity. Each month the Central Bank makes a report of all rebates during the past month, showing the commodities and amounts involved, and whether the rebate was made under a temporary or permanent rate. In January 1968, out of total rebates of TL 1,704,236 only TL 89,872, or approximately 5 percent, were made under temporary rates. Despite the steadily increasing number of eligible items, annual total rebates under the system have actually declined since 1965, the first full year of operation, as indicated by the following figures:

1/ Official Gazette No. 12818, February 5, 1968.

Year	Total Rebates (TL Millions)
1964	12.1
1965	27.9
1966	26.4
1967	24.8

Although a breakdown of the above totals is not available, the principal items for which rebates were paid in January 1968 included olive oil, textiles, refrigerators, and paper cartons used for raisin and fig exports.

A new set of rates was introduced in April 1966[1/] (see Annex C) but it is still too soon to know the effect on rebates paid.

Problems in Commodity Selection and Rate Determination. From interviews with officials and others intimately associated with the development of Turkey's export rebate system, it is evident that various problems and differences of opinion arose both in the formulation of Law No. 261 and in the adoption of subsequent implementing regulations. One view, taken by IGEME (Export Promotion Center), was that the scope of the law in terms of commodity coverage should be left open so that all exports could benefit to the maximum extent possible. This view was successfully opposed by the Ministry of Finance and others who, for both administrative and policy reasons, wished to limit the rebate system to manufactures or other processed items.

A second basic issue was whether taxes should be wholly rebated or whether partial rebates would be sufficient. Because of the multiplicity of both direct and indirect taxes, fees, and other levies on materials, products, services, and transactions entering into the export prices of

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1/ Decree No. 6/9863, effective April 30, 1968; in Official Gazette No. 12887.

final products, it was evident that it would be difficult to determine the full amount of tax burden on each exportable item. Law No. 261 stated its intention to eliminate the tax burden "in whole or in part," which has generally led to the conclusion that full rebates should not be allowed on a product if it could be profitably exported with less than a full rebate. Accordingly, if the standard cost investigation revealed that representative firms in an industry were able to export at a profit, the item was denied rebate and added to excluded items in List III. Thus, List III came to include not only items ineligible because they were unprocessed, but also manufactured or processed items deemed ineligible because they could be exported at a profit without the rebate.

The cost studies prepared by the Export Tax Rebate Commission and its technical committees for rate-making purposes appear to have been as meticulous and thorough as the circumstances allow. The largest and most representative firms in each industry are selected for cost investigations, and such firms are required to complete detailed forms and tables showing amounts of all components and elements of cost for a year's production of the item in question. Separate forms and procedures are used for single-product firms and for multi-product firms. Firms producing several products report in detail all costs for all products, and such costs are allocated in accordance with ordinary principles of joint cost accounting. Since the price of raw materials normally includes many tax elements, the standard tables provide individual cost columns for each of the taxes carried in List I. The final cost data are worked up by Commission experts in conjunction with the accounting representatives of the firms in question. When total segregated and cumulative tax costs per unit of output have thus been

determined, the Commission subcommittee determines the percentage rate of the prevailing export price necessary to recover the full amount of the taxes (plus 5 percent to cover undisclosed or omitted items). It is then up to the full committee (now the State Planning Organization) to decide whether a full, partial, or no rebate should be allowed.

Future Impact of the Rebates. The new set of rates introduced in April 1968 raised many of the rebates and widened coverage to include new commodities such as leather goods, batteries, and paints. The rebate on unbleached cotton cloth was raised to 43 percent, on printed fabrics to 50 percent, and on high quality cotton fabrics to 56 percent. The rebate on leather clothing is now 27 percent; on synthetic paint materials, 46 percent.

The commodity group most likely to show an increase in exports because of the new rates is cotton textiles. According to textile producers interviewed by the Mission early in 1968, there was considerable under-utilized capacity in the industry and they were under strong pressure to find markets abroad. However, under the rates then in effect, the f.o.b. price plus the rebate was insufficient to cover production costs, not very precisely defined. The new rates are of the order of magnitude the textile producers then claimed would make it possible for them at least to cover costs, so that their most immediate disincentive to export has been removed. On the other hand, the external market for textiles is a highly competitive one, and energetic efforts by exporters will be necessary to find buyers before the rebate can be made effective.

In the case of leather goods, there is a good possibility that the new rates will be effective. The most likely markets will, however, be the Eastern European bilateral agreement countries.

In the short run, the rebates are therefore likely to stimulate some manufactured exports. The main drawback of the system is that it does little to encourage exports in new lines that have not yet become obvious possibilities, and nothing at all to encourage the expansion of production and exports of Turkey's traditional agricultural and other non-processed commodities where her existing real comparative advantage is greatest. The selective nature of the system and its requirements for bureaucratic approval and government decree clearly reduce its flexibility and probable effectiveness as an export promotion device.

C. Promotion Activities

Adequate promotional efforts overseas are seriously lacking partly because there is little awareness in Turkey of the need for and nature of promotion. The notion that "buyers will come to us" prevails among both agricultural and industrial producers.

Some promotional efforts have been made by the Government and new measures are being planned. However, these projects generally lack the size, support and coordination needed if they are seriously to affect the country's export development.

In 1961 IGEME (Export Promotion Center)[1/] was established to serve as the nucleus of export promotion. Lack of funds and inadequate skills have prevented it from establishing effective promotional programs in foreign countries. It achieved some success in preparing agricultural producers for foreign sales, but did not develop into a national export development center.

1/ IGEME = Ihracati Geliştirme ve Etüd Merkezi = Export Development and Research Center or Export Promotion Center.

In 1967, another export promotion office was conceived, the Investment and Export Promotion and Encouragement Bureau, which operates under the supervision of the State Planning Organization. It was designed to remedy some of the shortcomings of IGEME, but it is too early to judge its success. It is also hampered by a lack of qualified personnel and in addition lacks authority over the other specialized export organizations. To date, it has not been able to initiate promotional activities.

Two new measures have been authorized by the Government under the supervision of the Export Promotion Bureau in 1968: the importation of refrigerated trucks (duty free) for exporting fresh fruits and vegetables; and a TL 10 million Export Fund in convertible currency to be used for promotional activities overseas.

Market Surveys. The significance of market surveys as a basic tool in planning, organizing and executing foreign sales has not yet been fully appreciated in Turkey. Many organizations in Turkey, from the Union of Chambers, government agencies and IGEME to individual exporters, are now undertaking some forms of study considered to be market surveys. Such studies, however, do not serve a useful purpose in exploring foreign markets; they merely point to shortcomings in the domestic economy. While they may be valuable as guidelines for new legislation and tax rebate administration, they do not aid the exporter directly in expanding foreign sales.

Genuine market surveys, aimed at exploring foreign markets for certain commodities, have been utilized in Turkey only sporadically. Instead, exporters have relied largely on already established clientele, sales to bilateral country buyers, and occasional ready-made offers from convertible currency countries.

The State Planning Organization has recently employed an expert to perform market surveys. His reports and his work have been termed secret and, therefore, are not available to the public.

The Ministry of Commerce's Foreign Trade Department has a Marketing Section. Established recently, the scope of its activities is not yet clear. It apparently plans to become a depository of information on foreign markets. It has no specific plans for disseminating information to the users but, rather, plans to furnish market reports only to the Government.

IGEME has done research on certain fruits and vegetables, but based its work on price data and foreign trade figures and has done little or no on-the-spot survey work. Its reports, however, have been turned over to the users, who have made efforts to make appropriate changes to conform to foreign market demands.

The Union of Chambers and local chambers have paid tribute to the need for market surveys but have done little more. A notable exception is the Istanbul Chamber of Commerce, which established the Economic Development Foundation to prepare market studies. This Foundation comes as near to being an organized marketing effort as anything in Turkey. It studies and prepares surveys on specific commodities for EEC countries. So far, it has been working primarily on agricultural products but plans to expand also into industrial goods. The Foundation's studies dwell basically on price, supply and demand data, and less on specific problems and peculiarities of the foreign markets. This limits their practical usefulness to exporters.

Turkey has official access to GATT's International Trade Center, which conducts a limited number of surveys for its members. While the amount of work performed by the Center is necessarily limited, it can provide useful assistance both in furnishing finished commodity reports and in helping to design market studies. The Center has undertaken a survey of European citrus fruit markets on behalf of IGEME.

Advertising and Packaging. Advertising has not been used as a marketing tool in foreign countries by the Turkish export community. For raw materials and some agricultural products, it is not needed. However, advertising is mandatory for many manufactured products and especially for consumer goods.

Turkish producers make little use of such traditional devices as newspaper notices, sales brochures or the more recent devices such as free samples, promotional packaging, and trade fairs. Corporation or enterprise budgets generally make no allowances for advertising and, when they do, the amounts are ridiculously low. For example, the annual advertising budget of Tekel (Turkish Wine and Tobacco Monopoly) is only TL 80,000.

Newspaper and magazine advertisements of Turkish firms in foreign countries emphasize institutions rather than products and the coverage of such ads is too dispersed to do much good. High volume, market-oriented product advertising, carefully planned for a specific target area, has not been initiated anywhere. This lack is particularly significant in product lines which have found acceptance on the world market, such as hazelnuts and textiles, for which publicity may be a major requirement for expansion.

Sales literature is seldom available in a foreign language, is spotted with errors, and invariably ends up as a poor quality, badly printed leaflet.

Turkish products, be they agricultural or manufactured goods, are generally packaged for the local market. They do not communicate any "message" to the foreign consumer.

Modern marketing relies heavily on the use of samples. Taken to extremes by Japan, many export firms furnish samples readily, quickly, and, except for expensive items, free of charge. Turkish firms have not provided this service and do not appear to be aware of the need for this approach.

A few exhibits at trade fairs in Europe have been attempted by some producers, but often before the firms are really ready to participate. A porcelain factory, for example, participated in numerous European fairs before the factory and its associate producers had developed the capacity to meet even moderately large foreign orders. There is also no evidence that such exhibits are preceded and accompanied by advertising or personal follow-up and, therefore, the value of these costly exhibits is diminished.

Foreign Representation. Few firms have appointed foreign agents abroad. Agents who have been appointed appear to concentrate on reporting prices and acting as middlemen for normal and recurring sales activities rather than on promotion. Permanent overseas offices are almost nonexistent. The Union of Chambers and private firms have set up a sales office in Munich, but it is reported to be small and poorly financed.

There is no evidence that commercial attaches assist business firms in the selection of agents and there is no Government or private organization designed to screen agents for reliability and ability.

Government Representation. Commercial attaches are stationed in all major capitals. Commercial offices assist businessmen in obtaining import licenses and with other procedural requirements. They also submit price reports and economic summaries. They do not undertake market surveys and contact work.

Commercial officers generally are not trained or exposed to promotional work and training prior to their assignments. An orientation course is conducted for them before their departure but it is short and not designed to serve as a training vehicle.

Exporter Information and Education. Information on commodity prices and price changes is now being supplied by Turkey's commercial attaches. These data are sent to official organizations, such as the Foreign Trade Department of the Ministry of Commerce, and also directly to IGEME and the Exporters Unions. The information is then made available to the users through an IGEME bulletin, through the committees of the Exporters Union and through the chambers. Indications are that the information thus received is accurate and widely used, especially by agricultural exporters. Its shortcomings are a lack of timeliness and its coverage; the reports are submitted periodically, deal primarily with already established export goods and are disseminated slowly. This is, therefore, inadequate for agricultural commodities, especially fresh fruits and vegetables and other goods with rapidly fluctuating prices.

These shortcomings can be remedied easily by adding new commodity groups to the present reporting schedules and by instituting a more rapid reporting and dissemination system.

Trade opportunities are seldom reported and there is no adequate mechanism as yet to process and disseminate such leads. IGEME's information bulletin sometimes lists a few trade leads but, otherwise, there seems to be no serious effort to uncover and disseminate export opportunities.

The shortage of trained foreign trade personnel has been recognized primarily by the private sector producers. Some efforts have been made to increase the technical export knowledge of businessmen. These beginnings, although commendable, still lack scope and dimension. For example, in 1967, the Istanbul Chamber of Commerce organized a series of short seminars on practical export steps and procedures and foreign trade procedures. Similar courses were held in Mersin. Additional courses are contemplated in Istanbul in the form of (1) short (two-three day) seminars dealing with specific foreign trading areas and specific products and (2) formal university-level training courses, but a lack of funds and qualified instructors has thus far prevented implementation. Some use has also been made of the Harvard Business School's marketing courses and the seminars conducted by the GATT International Center in Geneva. The majority of the participants, however, were Government employees and not exporters, producers, or their foreign trade personnel.

Recent Changes in the System. Renewed concern about export earnings can be found both among Government officials and among businessmen. In neither case, however, is the concern widespread. As a result, changes in the export climate are taking place but these changes are generally small and scattered.

Some of these new measures on the part of the Government include setting up the State Planning Organization's Investment and Export Promotion Bureau, expanding the Ministry of Commerce's Foreign Trade Department, introducing an "Export Fund" for overseas promotion, permitting the duty-free importation of refrigerated trucks and other equipment necessary for export industries, and granting tax incentives for investment in export industries.

Agricultural exporters are continuing their work on exports of traditional commodities. For example, the cotton marketing efforts, which have been very successful over the past few years, are being maintained. Manufacturers are not generally developing any significant changes in their export effort. Several leading producers have engaged in exports, despite the fact that they claim small or no profits for their efforts. These businessmen appear to be searching for ways in which they can enter foreign markets in the future partly to help Turkey's balance of payments situation and partly in anticipation of the day when their domestic markets are less attractive.

IV. Competitiveness of Turkish Manufactured Goods

A. Price Relationships

The existing patterns of Turkish exports suggest a priori that agricultural exports are far more competitive than manufactured items. Indeed, the amount of manufactured items exported is almost negligible when compared with the total of Turkish exports. Extensive discussions with manufacturers support this view. To a considerable extent, government efforts at expor encouragement represent attempts to offset the price problem.

Little systematic work is available on the relationship between internal prices in Turkey to those in the outside world in the area of manufactured goods. An internal AID study completed over a year ago did provide some rough orders of magnitude of price competitiveness by comparing wholesale prices for selected commodity groups in Turkey with those in other countries. Generally speaking, agricultural commodities showed prices far more competitive than non-agricultural commodities. Moreover, as the processing became more complex competitiveness seemed to decrease. A more rigorous study will be carried out by Robert College during the summer of 1968. This study will involve price comparisons using techniques developed by Professor Irving Kravis, who has volunteered some help in designing the study.

Until this work is complete, it is necessary to rely on less systematic and more intuitive means of evaluating Turkey's price competitiveness. Such reliance does not preclude some definitive conclusions on the competitiveness of Turkish manufactures. The extensive rebate system, for instance, is

designed to make Turkish goods more competitive in the international market place. The fact that these rebates are generally inadequate (in the sense that despite their existence exports are not increasing) suggests that Turkish prices are considerably out of line with world prices, not out of line by a small margin. Until April 1968, the rebate on certain types of cotton textiles was 40 percent. Despite this, these textiles were not exported in quantity. This suggests--although does not prove--that the Turkish price is more than 40 percent higher than the world price. The reason that the case is not proved is because the effectiveness of the rebate as a price equalizing device rests in part on the efficient administration of the system. To the extent the system's administration is not efficient, the price equalization which the rebates are designed to carry out is at least partially offset.

Another indication of the price problem is that Turkish manufacturers who are exporting either export to bilateral trade agreement countries at artificially high prices or are exporting at a loss. Under the bilateral agreement system Turkey and its trading partner establish a clearing account and agree on a list of items which will be traded. Both the amounts and the prices of the goods are negotiated. It is economically advantageous, therefore, for a bilateral agreement country to pay prices above those prevailing in the world market for Turkish items so long as it is able to charge similarly inflated prices for the items it exports to Turkey. A number of Turkish firms have been able to take advantage of higher prices offered by Eastern European countries for items such as textiles. Their colleagues

in the Turkish business community in effect support the prices of these exports by the high prices they pay for such items as machine tools and synthetic fibers which are imported under bilateral agreements.

As far as hard currency sales are concerned, there are, not surprisingly, few manufacturers willing to export at a loss. There are, however, a number of businessmen in Istanbul who have become seriously interested in exporting and have on an experimental basis attempted to develop markets overseas. In interviews these men almost invariably claim that it is necessary for them to sell at a loss, even after the tax rebates are taken into consideration.

There is no single reason for the high prices which Turkish manufacturers feel they must charge. Essentially, of course, the price structure is linked to the outside world by the exchange rate, which is currently TL 9 to $1. It is perfectly true that a different exchange rate could provide a strong incentive for manufactured exports. However, to say that Turkey is not competitive because of the exchange rate is, in part at least, to beg the question. After all, Turkish cotton moves in great quantities into the world market at the 9 to 1 rate. Other items also are traded at a profit. Furthermore, Turkish workers are considered low cost when their wages are compared with wages elsewhere using a 9 to 1 rate. It may be useful to consider, therefore, what factors businessmen themselves feel represent the reasons behind their inability to compete internationally.

First of all, businessmen mention the question of taxes. The Turkish tax revenue system includes a turn-over tax based, roughly speaking, on the value added in the production process. If it is assumed that Turkey's competitors effectively rebate all such similar taxes, then the Turkish authorities must also rebate such taxes merely in order to maintain a

position competitive with other countries. In fact, the businessmen claim, the rebate does not in all cases cover the taxes they pay. Moreover, it may be forthcoming only after considerable delays.

A second item often discussed is the high cost of imported goods. This point is discussed more fully below. Suffice it to say that the effective price of any capital goods and most raw materials is double the c.i.f. price once tariff charges, port taxes, advance deposits, and other fees are taken into account.

Another item which Turkish businessmen complain about is the inherent high cost of Turkish materials. They point out the expense, for example, of Turkish-made steel. Similar complaints are voiced about good-quality plastics.

Finally, a recurring explanation of high prices in Turkey is poor management. Many Turkish manufacturers are well aware that they do not have command of the skills necessary to use their men and machines at peak efficiency. This not only increases their unit costs, but may decrease quality and thus make their goods either unacceptable in the world market or acceptable only at a discounted price.

These explanations are relevant when examining the cost structure of Turkish industry. At least as important, however, is the domestic market which forms a basic part of the business environment in Turkey. Perhaps the most consistent attitude displayed by Turkish manufacturers when discussing exports has been that with the internal market as buoyant and profitable as it is there seems little point in trying to export. The combination of rapid economic growth during the past few years and the

somewhat inflationary fiscal and monetary policies which the government has pursued has resulted in strong domestic demand. As a result, most manufacturers are simply concerned with physical production almost regardless of cost.

An essential element supporting strong domestic demand has been the exclusion of many imports because of the shortage of foreign exchange. If a Turkish manufacturer is capable of producing an item at a "reasonable price," it is likely to be eliminated altogether from the list of those items which may be imported. The question of what price is reasonable is a matter of determination for the government authorities. Generally speaking, they have been extremely lenient to the producers, no doubt in part because of a reluctance to permit scarce foreign exchange to be used for any item which could be produced in Turkey. The approach which the government has taken when faced with high prices internally has been to pressure producers to drop their prices rather than open up the items to competition through imports.

B. Supplies of Imported Materials for Export Goods

The high cost of imported goods in the Turkish market influences the basic price structure of Turkish industry. Therefore, the competitiveness of Turkish exports is affected. Moreover, a few exports or potential exports have very high requirements of imported materials, and the competitiveness of these items is very heavily influenced by the costs of imports.

To consider the first case, the Turkish import system does not merely impose high tariffs on items to be imported. These taxes can, after all, be refunded through the tax rebate system. There is in addition the burden of special fees and advance deposits. The advance deposits are particularly

important for several reasons: (1) they are generally high, often equal to the full value of the goods being imported; (2) delivery is often slow, so that the deposits tie up working capital over long periods of time; (3) the cost of money in Turkey is high; and (4) the added cost is not refunded under the tax rebate system.

The weight of these charges may be indicated by two examples relevant for textile manufacturing. In the case of imported merino wool, tariffs and other import taxes amount to some 30 percent of c.i.f. value (see Table 5). The guaranty deposit on merino wool (an industrialist quota list item) is 10 percent. At 2 percent interest and bank charges per month and a lapse of 8 months between application for import and clearance from Customs, the cost of the guaranty deposit is another 1.6 percent of c.i.f. value. Textile machinery spare parts carry import tariff and other import taxes of some 55 percent of c.i.f. value. The guaranty deposit on machinery spare parts (a liberalized list item) is 100 percent. At the same interest rate and with the same time lag, the cost of the guaranty deposit is 16 percent of c.i.f. value.

In addition to direct taxes, a Turkish manufacturer is faced with prices for his materials that include duties which other Turkish manufacturers have merely passed along. The high tariff structure operates both on raw materials and on capital equipment. As a result, the capital costs of producing manufactured goods become inflated.

The problems connected with items which have high import requirements are best considered by examining two specific products. One of these is textiles. A number of Turkish textile manufacturers have suggested that they could export woolen cloth if provided with adequate imported raw

Table 5

Import taxes and cost of import guaranty deposit for raw wool and textile machinery

	Raw wool a/	Textile machinery b/
1. Landed cost of imports:		
A. C.i.f. value	100	100
2. Import duties and taxes:		
B. Customs duty (most favored nation rate) (as % of A)	5	15
C. Municipality tax (15% of B)	0.75	2.25
D. Customs warehouse and handling (estimated at 3% of A)	3	3
E. Pier tax (5% of A+B+C+D)	5.44	6.01
F. Production tax:		
a. Rate (% of A+B+C+E)	(0)	(10)
b. Amount	0	12.33
G. Import stamp tax (15% of A)	15	15
Total import duties and taxes	29.19	53.59
3. Cost of import guaranty deposit:		
H. Import guaranty deposit (% of A)	10	100
I. Interest and bank charges on import guaranty deposit (2% per month x 8 months) (16% of H)	1.6	16

a/ Customs Tariff code 53.01.10 Merino wool, unwashed.

b/ Customs Tariff code 84.37.10 Textile machinery and appliances.

materials (Turkish wool is not of sufficiently fine quality to produce export-grade material). Textile manufacturers have also indicated that fabrics using synthetic yarns or blends of cotton and synthetics could be exported if adequate supplies of the synthetics were available at world prices. A further example relates to canned foods. In canning the container itself often represents a very substantial part of the value of the finished product--perhaps 40 percent. It is clear, therefore, that if Turkish food processors are forced to pay twice the world market price for tin plate, they will find exporting extremely difficult. Tin plate is currently produced in Turkey by the Eregli Steel Company and is not on the list of items which may be imported. The price of tin plate from Eregli is about double[1/] the world price, and the lacquers available to Eregli have not provided sufficient protection to insure effective preservation of acidic foods, such as tomatoes. As a necessary (but not sufficient) condition, therefore, Turkish food processors must have available to them good-quality tin plate at prices equal to those which their competitors in other countries enjoy.

C. The "High Cost" of the Turkish Economy

The Turkish economy is often described as "high cost." This term is useful for shorthand purposes. It calls to mind, however, the remark made by one development economist, after reviewing the export problems of a number of underdeveloped countries, that these countries appeared to have comparative advantage in nothing. The point of this remark was to point out that developing countries seem to have difficulties exporting all items

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1/ In February 1968, the f.o.b. price of tin plate in Western Europe was about $188/metric ton. Eregli's price including production tax was $400/metric ton; excluding production tax, $342/metric ton.

regardless of where their advantage seems to be. This problem usually reflects an overvalued exchange rate. Similarly, if Turkey has a "high cost" economy, it is high cost at some assumed exchange rate. Clearly if the exchange rate were 100 to 1, all internal costs would be considered low. In examining the cost structure, therefore, two points seem relevant: the efficiency of Turkish enterprise, and competitiveness of one branch of the Turkish economy in relation to another. For example, no one complains about the "high cost" economy when discussing cotton production. It may be useful to compare cotton production with that of electric motors in order to isolate where the inefficiencies in Turkey seem to be greatest.

The following may be listed as advantages which Turkish cotton producers enjoy: (1) Favorable climate and growing conditions. (2) Irrigation water often provided below cost. (3) Fertilizer provided at c.i.f. prices plus distribution. (Fertilizer is the most favorably treated major commodity imported into Turkey. Thus Turkish cotton farmers do not need a tax rebate on import duties since, in effect, they do not pay any.) (4) Low cost labor. (5) Low cost fuel for tractors.

In comparison, the electric motor manufacturer faces few of the same conditions: (1) He has no particular climatic advantage. (2) While his electric power may not be too expensive by European standards, on the other hand it does not receive the kind of implicit subsidy which is typical of irrigation water. (3) His import requirements are heavily taxed. (4) His labor is cheap, but skill level may also be low. (5) His capital equipment requirements are much higher than those of his agricultural colleague and, therefore, his interest payments and capital requirements are higher.

The electric motor manufacturer continues to produce because his protected market will permit him to pass these high costs along to the consumer. In this way the "high cost" nature of the Turkish economy is directly related to the high priority given to industrialization and the policies which result from that priority. As a result of these policies, the export market seems an unlikely prospect for the manufacturer.

V. Possible New Measures

A. Government Leadership

Turkey still needs an effective central export coordinating authority. The State Planning Organization's Investment and Export Promotion and Encouragement Bureau has not yet assumed such a role, nor have IGEME (Export Promotion Center), the Chambers of Commerce and Industry, the Exporters Unions, or the Ministry of Commerce's Foreign Trade Department.

Instead, Turkey has a situation where all of the above organizations, plus a handful of others, have been unable to develop a significant export effort. In view of their relative independence from each other, and the almost absolute lack of coordination, they often duplicate each others' functions. They perform roughly the same chores: preparing studies on what should be done about export, evaluating shortcomings of the existing economic system, studying foreign trade statistics, and making recommendations for new legislation.

Functions which should be handled by one central organization are dispersed. Exporter registration and licensing procedures are handled by a surprising number of public and semi-official agencies with little or no coordination in the execution of these tasks. They are: Exporters Union, Ministry of Commerce, Committee of Chrome Ore Producers, Miners' Association, Tobacco Producers Federation, Chamber of Commerce and Industry, Ministry of Customs and Monopolies, Ministry of Industry, Ministry of Finance, and Central Bank.

Tax rebates are also studied, proposed and administered by a variety of organizations. They include: Union of Chambers, Branch Chambers of Commerce and Industry, Economic Development Foundation, IGEME, Exporters Union, and Investment and Export Promotion and Encouragement Bureau.

Promotion, its planning, and theoretical execution are the responsibility of all export agencies but none of them is charged with the duty of supervising or coordinating such efforts.

There is a clear need for a powerful central export authority which can stimulate and coordinate new endeavors--without discouraging new ideas it does not agree with. The Investment and Export Promotion Bureau has perhaps the best possibility to become the major guiding force in export promotion. This agency has not yet assumed an aggressive role, as it is understaffed and lacks adequate authority. Nevertheless, it possesses the institutional framework to act as the prime mover in an export drive. To do this, however, the organization must be vitalized and streamlined; most of which can be done within the scope of existing legislation. Possible improvements include: (1) raising the status of the organization to sub-ministerial level; (2) giving it authority to coordinate the promotional work of all of the existing export agencies; (3) allocating sufficient operating funds to devise and implement promotional work for the entire export program; and (4) assigning it sufficient and suitable, trained, multi-lingual personnel.

B. Financial Incentives

The current system of financial incentives has so far been insufficient to induce Turkish manufacturers to export; and even with administrative reforms and market development efforts, it appears likely that net prices received by Turkish manufacturers in the world market would be too low to induce them to export. Since precise price comparison data are lacking, it is difficult to suggest the exact degree of additional financial incentives that would be necessary. It does appear that for some groups of commodities, particularly

textiles, small additional incentives would be adequate.

The obvious and most effective form of financial incentive would be a change in exchange rate. If such a change were to come about, any likely new rate that is at or somewhat near the current concessionary rate for tourism and workers remittances (TL 12 to $1) would not be sufficient to permit the Government to dismantle the existing tax rebate system. Therefore, even with a change in the rate, continued attention would be needed for other kinds of incentives.

Assuming that a change in the rate is not likely in the near future, the question becomes that of what substitute measures can be taken. Some additional tax rebates were granted by a recent (April, 1968) decree, which raised rates for some textiles to over 50% of f.o.b. value and for some other goods (synthetic paint materials, copper cable) to close to 50%. It is difficult to see how this system can be extended very much further for such commodities.

Export Credit. In the opinion of the export community--and especially of export agents--the lack of low interest, medium-term credit in Turkey is one of the greatest obstacles to a rapid increase in exports. Banks extend export credit primarily for tobacco exports; some is also made available for other agricultural exports. The amounts involved are generally small and, it is claimed, inadequate. The interest rate is 9% per year and the loans are subject to additional charges amounting to about 1.5%. Such credit, however, is very difficult to get. In view of the Central Bank's rediscount rate of 5% or more for export credit, banks are reluctant to get involved in export credit transactions; for example, the banks will not make an advance

to the exporter before a letter of credit is opened even though a foreign buyer has placed an order. If and when the banks do extend credit, they are likely to demand high collateral (up to 200%) and insist on short repayment time. Most exporters are therefore likely to utilize normal commercial credit for their financing requirements. Such credit is apparently readily available but subject to a 14% interest plus 1.5% in various charges. These costs seriously affect the export prices and thereby lessen the exportability of some commodities, especially in the agricultural sector.

A major new incentive system might therefore be developed through the provision of low-cost loans to manufacturers who export. This could be justified in light of high interest rates which Turkish manufacturers must pay for working capital and the resulting comparative disadvantage they face vis-a-vis their competitors in other countries. Such a system would need to be generous and easily administered. One technique might be, for example, to provide nine-month loans to any manufacturer up to the full value of exports. This would be done without stipulating how he used these funds. It would help to counteract heavy expenses which manufacturers face as a result of deposit requirements for imported goods. Unlike formal tariffs, these costs cannot currently be refunded to exporters.

Foreign Exchange Retention. Another financial incentive would be a system of foreign exchange retention similar to that used by Pakistan. Under this system, an exporter would be permitted to keep for his own use a stated percentage of the foreign exchange he earned by exporting. 1/ This foreign

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1/ See Annex E for one approach to this question.

exchange would be in the form of a permit to import and would be a negotiable instrument. Thus, its value would change in relation to the competitive position of the Turkish lira in world markets. The concept of such a system is known in Turkey although not widely understood by businessmen. In discussions with them, they have sometimes expressed interest and sometimes confusion. The latter is hardly surprising since an arrangement for the availability of foreign exchange to private individuals in Turkey is completely foreign to the approach embodied in the Turkish foreign exchange control system of the last decade. There is, however, a precedent in the existing arrangement between the Ministry of Commerce and woolen cloth producers in both the public and private sectors to issue them additional import licenses for high quality (merino) wool equivalent to part of the foreign exchange received for their exports.

C. Market Development

Entering a new market is costly under any circumstances; it is especially costly when a firm has to start out on a trial and error basis. Business can seldom be conducted by mail and it is advisable for the exporter to maintain representation in his new market area. Advertising, trade fairs and showrooms should be added, and in some cases warehousing expenses. Above all, but depending on the product, a sales force may have to be established and trained.

Joint Ventures. One approach which might be useful would be to establish joint ventures with foreign firms. Not only could the Turkish manufacturer take advantage of his partner's personnel, but simultaneously his own personnel could be trained to conduct foreign trade operations.

The foreign partner could make available an established distribution and sales network, which would be used to introduce the exporter's products and develop their sales. Furthermore, he would, as a matter of course, be in touch with local market developments and have easy access to buyers and businessmen.

The firms which would benefit from such a venture would be primarily those who have had no previous foreign sales or only sporadic exports without continuity in volume or destination.

Locating suitable partners is not a problem since many foreigners are looking for such opportunities. Since, however, Turkey does not now have access to the business market or only inadequate access, specific measures must be initiated to overcome this first step. These steps are almost costless and, therefore, should have quick acceptance. Some Government assistance is, however, needed to insure successful implementation:

(1) Chambers of Commerce and Industry find out which firms have (a) sufficiently large capacity to meet the demands of foreign buyers and (b) the desire to export.

(2) The Chambers eliminate products which are unsuitable for export by virtue of (a) their price or (b) excessively high foreign exchange requirements for imported raw materials.

(3) Brief and accurate descriptions of the firms' products, capacity, etc., are prepared in several languages.

(4) Commercial Attaches would need to publicize these reports through local publications and personal contact.

(5) Trade mission teams of interested businessmen (not more than five per team and not Government officials) should be sent to selected countries to publicize these opportunities.

Export Promotion Cooperatives. A second new arrangement which might help to develop markets overseas would be the establishment of export promotion cooperatives. This trading device has proved successful in a number of Eastern European countries and could probably be adapted to fit Turkey's present needs. Similar organizations are being developed privately in the United States as Combination Export Management firms.

Such organizations act for firms as their export departments and advertising offices and maintain overseas offices as well. To be efficient, the organization represents several or many manufacturers.

Export Promotion Cooperatives may function on a regional or commodity basis. Cooperatives for agricultural commodities, such as hazelnuts or citrus fruit, already function in Turkey. Their usefulness has largely been proven and their contribution to the development of exports is great.

Export Promotion Cooperatives for manufactured products or for a combination of manufactured and agricultural products, however, function best on a regional basis. They can thereby represent firms from several non-competing segments of industry located in a given area. In addition, although some products require longer time to produce profits in a new market than others, or have fluctuating sales volumes because of style changes and other reasons, the composition of a multi-sectoral cooperative can serve effectively to safeguard it from serious income fluctuations and costly interruptions in sales.

Depending on the location, the number of firms participating in an Export Promotion Cooperative in any given area may vary; 15 to 20 firms is a workable composition. Thus, a city like Istanbul may accommodate several while one like Bursa would undoubtedly utilize only one.

Personnel for both the home office and overseas offices must be selected for foreign trade competence, rather than for other reasons. The overseas offices should be manned primarily by nationals of the importing country. While this may be costly, it will also furnish immediate knowledge of the local market. Compensation must be generous to attract competent personnel.

Government encouragement in the form of tax exemptions, and low interest small business loans would be required during the initial stages of operation. Allowances would also have to be made for easy access to foreign exchange to operate the overseas offices. This could later be replaced by a mere exchange retention system based on the Export Promotion Cooperative's earnings. As a start, however, even a simple offer of incentives such as tax exemption may suffice to produce such cooperatives.

Export insurance. Export insurance, as distinct from normal maritime insurance, is not available in Turkey at all. Although the need for such insurance has been recognized by the Union of Chambers and the Exporters Union, no measures have yet been taken to put into effect an export insurance system. Export business therefore is made to appear even less secure and less inviting than in other countries which guard their exporters against defaults and other unexpected developments.

Information. News about foreign markets, specifically prices and trade opportunities should be collected in foreign countries, reported promptly and disseminated to actual and potential users. In the absence of overseas offices maintained by the private sector, the task of reporting should be performed by the Turkish commercial attaches who should be instructed to perform the following tasks:

(1) Monitoring and submitting timely price information for commodities which are being exported by Turkey and reporting anticipated changes in prices.

(2) Searching for and reporting on sales opportunities which could be supplied by Turkish firms.

(3) Submitting periodic reports on market conditions and problems, and on peculiarities of and changes in regulations.

(4) Investigating and reporting on the financial status and business reputation of prospective clients of Turkish exporters.

The information received from commercial attaches should be processed by one central organization, such as the Foreign Trade Department or the Union of Chambers, and immediately passed on to the individual exporters. At the present time there is no distribution system for even the small amount of pertinent information available. To be effective the news must reach users quickly. Dissemination could be through a weekly newsletter for less pressing items and by telephone or personal letters for news which demands immediate action.

Education. The shortage of qualified foreign trade personnel cannot be solved quickly. General improvement of export techniques in the business community will require new emphasis on the academic and practical exposure of young businessmen to foreign trade principles and methods but some measures, which could provide at least partial resolution of this problem, may be initiated immediately.

Long-range measures affecting the future development of Turkish exports would include:

(1) Establishing specialized courses in marketing, shipping, freight forwarding, and foreign trade procedures. Such courses, however, should probably not be sponsored by the traditional university faculties which are excessively academic in their approach and whose members have no direct knowledge of the practical problems involved. Short in-service courses which could be sponsored by Istanbul Business Administration Institute and use as teachers people actually in the business world would be more productive.

(2) Greater Government-sponsored participation of businessmen (rather than Government officials) in the foreign trade programs of the Harvard Business School and the GATT International Trade Center.

Short-range measures would consist primarily of export seminars such as the one already initiated in Istanbul on practical foreign trade techniques and problems, but expanded in coverage. They should be short (2-3 days) and address themselves to one specific commodity or sales area at a time. The organization and financing of such seminars could be by Government and/or the Union of Chambers. An expansion of the existing export seminar program of the Istanbul Chamber of Commerce would be a useful beginning.

D. Free Ports

Despite awareness of the need for them, Turkey's experience with free ports is almost nonexistent. The ports of Iskenderun and Trabzon contain areas which have been referred to as "free ports," but which are actually used for customs-free storage and trans-shipment of international freight. Trabzon has a free warehouse area under control of the Denizcilik Bankasi T.A.O., Istanbul (Maritime Bank). The Iskenderun free port area served the same purpose until 1965, when port construction activities ended the use of its

"free" warehouse. It has since been rebuilt by a private sector transportation firm, Tuzcuoglu, and is ready to be opened for business. Tuzcuoglu's plans call for adding manufacturing facilities to its free warehouse to process textiles for re-export. The firm hopes to set up a similar facility in or near Istanbul.

Plans are being prepared by the Izmir Chamber of Industry to establish a genuine free port (manufacturing facilities as well as warehouses) in the Izmir Bay area. Actual work on the free port itself is due to begin after roads, docks, and other infrastructure are completed, but it is hoped that the port itself will be operational by 1972.

Other areas considered for free ports have included Mersin, Samsun and Bandirma, but none of these projects has materialized. The Bursa Industrial Park has been mentioned as a possible "free" area but there is little interest in such a project.

Some attempts have been made in the recent past to explore the usefulness of establishing a free port in Turkey, including an internal study by the Union of Chambers and a proposal for a feasibility study submitted to AID by Checchi and Co. It is time, however, that a thorough-going study of the question be made.

Annex A. Export Projections by Commodity

The figures in Table 4 of the text were derived on the basis of the following considerations:

1. Agricultural Products

1.a. Raw Cotton

Although no increase in total area planted is expected, the expansion of irrigated areas in the Çukurova and the Southeast will result in increased average yields and therefore increased raw cotton production. By 1972, raw cotton production is expected to reach 450,000 MT (U.S. Agricultural Attache estimate). Since Turkey is still a marginal supplier of cotton to the world market, it can sell all its available supplies at the world price.

The availability of raw cotton for export depends on the excess of its supply over domestic Turkish demand. Domestic demand for raw cotton in turn depends on production of yarn and cloth for domestic consumption and for export. We assume that textile production capacity will not be a constraint on total textile output, so that textile exports will be limited by external demand rather than by domestic capacity. The higher the domestic consumption and the higher the exports of cotton textiles, the lower will be the availability of raw cotton for export.

The export price of Turkish cotton in our 1972 projections is taken as $540/MT, 10 percent less than the 1968 price of $600/MT. This assumes that the International Cotton Advisory Institute will be successful in finding new uses for cotton and in preventing a price war among cotton producing countries. The Second Five Year Plan projection uses a cotton price of $600/MT.

In the calculations set out in Table A-1, we have made two assumptions as to domestic consumption of textiles. The first is the simple assumption that the apparent current "saturation" of the domestic market for textiles means that the per capita Turkish use of cotton will remain at its 1968 level, so that total cotton use will grow at the rate of increase of total population (2.6% per year). On this basis, use of raw cotton by textile production for domestic consumption would amount to 171,000 MT by 1972.

A higher level of domestic consumption of cotton textiles than that postulated above would, of course, reduce the availability of raw cotton for export. Our second assumption is that per capita consumption of textiles would show a continuation of the 2.1 percent annual increase experienced during the period 1962-1966. On this second assumption, use of raw cotton by textile production for domestic production would amount to 175,000 MT by 1972.

In both cases, higher cotton textile exports imply lower raw cotton exports, as shown in the following projections for 1972:

	Raw cotton exports		Value of exports (mill.$)		
	Quantity ('000 MT)	Price ($/MT)	Raw cotton	Cotton textiles	Total
USAID projection:					
Low domestic consumption of textiles:					
Low textile exports	267	540	144.2	21.1	165.3
High textile exports	261	540	140.9	31.2	172.1
High domestic consumption of textiles:					
Low textile exports	263	540	142.0	21.1	163.1
High textile exports	257	540	138.8	31.2	170.0
SPO SFYP projection	250	600	150.0	28.9	178.9

Table A-1

Cotton Export Projections

				Projected 1972 USAID				
				Low textile consumption		High textile consumption		
	1966	1967	Estim. 1968	Low textile exports	High textile exports	Low textile exports	High textile exports	SPO SFYP
A. RAW COTTON:								
Quantity ('000 MT)								
Production of raw cotton	382	393	n.a.	450	450	450	450	455
Use for domestic production of cotton textiles a/	132	147	164	183	189	187	193	205
Cloth	107	122	132	148	154	152	158	183
Knitted goods	-	2	2	6	6	6	6	8
Yarn (net)	25	23	30	29	29	29	29	14
For domestic consumption of cotton textiles	129	144	156	171	171	175	175	194
Cloth	105	119	124	136	136	140	140	172
Yarn (net)	24	25	32	35	35	35	35	22
For exports of cotton textiles	3	3	n.a.	12	18	12	18	11
Cloth	3	3	n.a.	12	18	12	18	11
Yarn (net)	-	-	-	-	-	-	-	-
Exports of raw cotton	259	248	n.a.	267	261	263	257	250
Price of exports of raw cotton ($/MT)	496	530	600	540	540	540	540	600
Value of exports of raw cotton ($ mill.)	128.5	131.5	n.a.	144.2	140.9	142.0	138.8	150

a/ Applying following factors to quantity data under "B. Cotton manufactures."

1 meter of cloth = 0.145 kg. of yarn = 0.167 kg. of cotton.
1 kg. of yarn = 1.150 kg. of cotton.

Table A-1 (continued)

Cotton Export Projections

	1966	Prelim. 1967	Estim. 1968	Projected 1972 USAID: Low textile consumption — Low textile exports	USAID: Low textile consumption — High textile exports	USAID: High textile consumption — Low textile exports	USAID: High textile consumption — High textile exports	SPO SFYP
B. COTTON MANUFACTURES:								
Quantity								
Production:								
Cloth (mill. meters)	640	732 b/	790 b/	887.8	923.9	914.0	950.1	1,095
Knitted goods ('000 MT)	n.a.	2.6	n.a.	5.0	5.0	5.0	5.0	6.7
Yarn ('000 MT)	115	128	143	158.7	164.0	162.5	167.8	n.a.
For cloth production	93	106	115	128.7	134.0	132.5	137.8	158.8
For knitted goods	n.a.	2	2	5.0	5.0	5.0	5.0	6.7
Net (estim.)	22	20	26	25.0	25.0	25.0	25.0	n.a.
Domestic consumption:								
Cloth (mill. meters)	630	712 b/	740 b/	815.3	815.3	841.5	841.5	1,030
Knitted goods ('000 MT)	n.a.	2	n.a.	5.0	5.0	5.0	5.0	6.0
Population (million)	32.2	33.0	33.9	37.4	37.4	37.4	37.4	37.4
Per capita consumption:								
Cloth (meter/capita)	19.6	21.6	21.8	21.8	21.8	22.5	22.5	27.5
Exports:								
Cloth (mill. meters)	2.0	1.6	n.a.	72.5	108.6	72.5	108.6	65
Knitted goods ('000 MT)	-	-	n.a.	0.0	0.0	0.0	0.0	0.7
Yarn ('000 MT)	-	-	n.a.	0.2	0.2	0.2	0.2	n.a.
Price of exports of cotton textiles								
Cloth (¢/meter)	0.23	0.31	n.a.	0.28	0.28	0.28	0.28	0.20
Yarn (¢/kg)	-	-	n.a.	1.20	1.20	1.20	1.20	n.a.
Value of exports of cotton textiles ($ mill.)	0.47	0.50	n.a.	21.1	31.2	21.1	31.2	28.9
Cloth	0.47	0.50	n.a.	20.3	30.4	20.3	30.4	13.3
Knitted goods	-	-	n.a.	0.6	0.6	0.6	0.6	15.6
Yarn	-	-	n.a.	0.2	0.2	0.2	0.2	n.a.
C. RAW COTTON AND COTTON MANUFACTURES COMBINED:								
Value of exports of raw cotton plus cotton manufactures ($ mill.)	129.0	132.0	n.a.	165.3	172.1	163.1	170.0	178.9

b/ SPO, 1968 Yili Programi (1968 Annual Program).

The USAID projections entered in Table 4 correspond with the low estimate of domestic consumption of textiles in Table A-1. The positions of the "high" and "low" projections for raw cotton exports in Table 4 are therefore reversed in order to maintain consistency with the "low" and "high" projections for textile exports. The SPO projection is derived from estimates published in the English summary of the Second Five Year Plan[1/] but not in the complete Turkish text of the Plan document.

1.b. Tobacco

The trends in tobacco exports are difficult to determine. Annual fluctuations in exports are great and it would be misleading to select any one year's export level as "normal." Discussions with leading tobacco exporters and buyers do not point to any drastic increases or decreases for the next four or five years.

A comparison between the annual average for the 1952-1954 period and the 1965-1967 period shows an overall increase of $27.5 million, or an annual increase of $2.75 million. Taking this as representing the normal trend of tobacco exports and applying it to the 1965-1967 average of $105.3 million gives us our "high" projection of $119.8 for 1972. The SPO target is entered in Table 4 as our "low" projection.

1.c. Nuts

Both our low and high 1972 export projections for nuts are considerably above the $77.0 million projected in the Second Five Year Plan, our low projection coming to $95.5 million and our high projection to $102.1 million.

1/ SPO, A Summary of the Second Five Year Development Plan of Turkey (1968-1972), I. Economic Planning, Table 4.14 and Table 7.9, pp. 35 and 64.

(1) Hazelnuts

Turkish exports of hazelnuts showed a sharp increase in 1967 as a result of the sale of a large quantity to the Soviet Union. The level of hazelnut exports brought about by this unusually large purchase may well be maintained, however, because of the likelihood that the Soviet industrial project loans will be paid for in part through hazelnut exports. If shipments to the Soviet Union remain at a high level and efforts are made to increase sales to the United States, Europe, and Japan, hazelnut exports could attain a level between $84 and $90 million by 1972. This is substantially more than the $68.1 million level projected in the Second Five Year Plan.

The expansion of hazelnut exports is more likely to be constrained by external demand than by domestic supply. Turkey is the world's leading producer of hazelnuts, averaging over 60 percent of world output during the past decade. As shown in Table A-2, plantings were expanded considerably during the 1960's and average yields rose by 1.5 percent per year from 1955-1959 to 1962-1966. During the coming years, the number of trees may be expected to increase by 1.5 percent per year over 1966 while yield per tree (average of good and bad years) may be expected to increase by 2.5 percent per year over the 1962-1966 average.

Like a number of other tree crops, hazelnut production shows a two-year cycle, but not consistent enough to predict in advance which will be the good year. However, the hazelnut producers' cooperative, Fiskobirlik, does an effective job of carrying stocks from good years to bad and, from the producers' point of view, of supporting and stabilizing prices.

Table A-2

Hazelnut production and exports

Year	Number of trees ('000)	Yield per tree (kg)	Production		Exports (shelled)		
			Un-shelled (MT)	Shelled equiv.[a] (MT)	Quantity (MT)	Price ($/MT)	Value (mill.$)
1955-1959 (average)	154,630	0.665	102,770	48,300			
1960	161,000	0.360	58,470	27,480	42,000	933	39,200
1961	169,159	0.450	76,000	35,720	36,568	1,156	42,264
1962	174,862	0.700	122,000	57,340	43,686	1,282	55,992
1963	176,283	0.500	88,440	41,570	41,757	1,293	54,003
1964	184,000	1.0600	195,215	91,750	49,128	1,022	50,208
1965	187,000	0.330	62,000	29,140	60,077	1,030	61,855
1966	192,000	1.090	210,000	98,700	55,583	1,020	56,669
1967	n.a.	n.a.	71,000	33,370	74,016	1,139	84,307
1962-1966 (average)	182,820	0.740	135,530	63,700	50,046	1,114	55,745
Projected 1972:							
Good	210,000	1.300	273,000	128,310			
Bad	210,000	0.500	105,000	49,350			
Average	210,000	0.900	189,000	88,830			
Low					76,000	1,100	83,600
High					82,000	1,100	90,200

a/ 1.0 kg. of unshelled hazelnuts yields 0.470 kg. of shelled hazelnuts.

By 1972, production of over 270,000 MT in a good crop year and of 105,000 MT in an off-year may be expected, for an average of about 190,000 MT. At 0.470 kg. of shelled hazelnuts per kg. of unshelled, Turkey's annual supply of shelled hazelnuts should thus be about 90,000 MT, of which between 5,000 and 10,000 MT will go to domestic consumption leaving 80-85,000 tons available for export. At 1967 export prices, this would yield $88-94 million in foreign exchange earnings if sold.

The course of demand will depend on several factors: the extent to which the USSR maintains and expands its current high level of purchases; the extent to which exports to new markets such as the United States and Japan can be developed; and the extent to which exports to Turkey's traditional Western European markets can be increased by new packaging and processing, e.g., by presenting roasted and blanched hazelnuts in cellophane bags and boxes. Our low 1972 projection for hazelnut exports is $84 million; our high projection is $90 million. The breakdown of these projections by area of destination is shown in Table A-3.

(2) Other nuts

(a) Pistachios

Pistachio nuts are becoming increasingly popular both in Europe and the United States, and the Plan projection of $8.9 million of pistachio nut exports in 1972 does not seem unreasonable.

(b) Other

Exports of other nuts may be expected to remain at the average level registered during the 1963-1967 period ($3.0 million).

Table A-3

Hazelnut exports by area

A. Quantity

Year	Total	Western Europe	U.S.	Japan	USSR	Other COMECON	Other
			(metric tons)				
1961	36,568	32,083	1,272	96	-	1,793	1,324
1962	43,686	41,046	1,241	34	-	940	425
1963	41,747	36,557	1,749	125	-	2,197	1,129
1964	49,128	42,869	1,847	20	544	2,773	1,075
1965	60,077	45,976	2,825	88	5,929	4,385	874
1966	55,583	35,026	2,102	130	8,779	6,316	3,230
1967	74,016	54,388	2,259	445	12,079	3,741	1,104
Projected 1972:							
Low	76,000	55,860	2,360	450	12,390	3,880	1,060
High	82,000	57,400	4,100	820	13,940	4,920	820
			(percent)				
1967	100.0	73.5	3.1	0.6	16.3	5.1	1.4
1972	100.0	70.0	5.0	1.0	17.0	6.0	1.0

Table A-3 (cont.)

Hazelnut exports by area

B. Value

Year	Total	Western Europe	U.S.	Japan	USSR	COMECON	Other
			(million dollars)				
1961	42.3	37.4	1.5	0.1	-	2.2	1.1
1962	56.0	52.4	1.7	*	-	1.3	0.6
1963	54.0	47.2	2.3	0.2	-	2.8	1.5
1964	50.2	43.5	2.0	*	0.6	3.0	1.1
1965	61.9	48.4	3.1	0.1	4.8	4.5	1.0
1966	56.7	35.9	2.4	0.2	7.8	6.9	3.5
1967	84.3	62.5	2.7	0.5	12.6	4.5	1.5
Projected 1972:							
Low	83.6	59.4	4.2	0.8	13.4	5.0	0.8
High	90.2	64.0	4.5	0.9	14.5	5.4	0.9
			(percent)				
1967	100.0	74.1	3.2	0.6	14.9	5.3	1.8
1972	100.0	71.0	5.0	1.0	16.0	6.0	1.0

* Less the $100,000.

\- No exports.

1.d. Dried Fruit

There is nothing in the present picture to suggest that the rather dramatic increases in exports of dried fruit forecast in the Redding paper[1/] will be realized by 1972. The measures which Redding felt were necessary to attain a high level of dried fruit exports, i.e., stricter quality controls, more attractive packaging, and greater promotional efforts, are simply not being effected. The export figures presented below have therefore been calculated under the assumption that exports will continue to increase at the unimpressive rates registered in the recent past. Even under this pessimistic assumption, however, export levels in 1972 should exceed those forecast in the Second Five Year Plan.

Raisin exports, assuming that the 1965-1967 trend continues, will be $26.1 million in 1972, or slightly higher than the Plan figure of $25.2 million.

If fig exports continue to increase at the rate recorded during 1962-1967, $9.1 million worth will be exported in 1972. This is very close to the $8.9 million figure quoted in the Plan.

If one assumes that exports of other dried fruit ($1.7 million in 1967) will reach a $2.0 million level in 1972, the total export of dried fruit in 1972 will amount to $37.2 million, as compared with the $34.1 million figure for exports of raisins and figs only set out in the Second Five Year Plan.

1/ A. D. Redding, Turkish Exports: Problems and Opportunities, USAID/Ankara March 17, 1967, pp. 12-14.

1.e. Fresh Fruits and Vegetables

Fresh fruit and vegetable export prospects are excellent. Turkish citrus production is growing rapidly as a result of earlier and continuing expansion of the area planted (the rate of growth of citrus orchards is at present estimated to be 9% annually), and improved varieties and harvesting and packing techniques have been introduced. Efforts to overcome the obstacles to increased exports of other fresh fruits and vegetables, however, have been more limited.

Exports of fresh fruits and vegetables can be increased sharply only when the problem of providing adequate transportation to the European markets is solved. In addition, OECD grading standards must be adhered to, and close relationships, based on sound business practices, must be developed with principal European importers. Turkish fresh fruit and vegetable exports can attain the high levels projected below only if these steps are taken. Otherwise, Turkey will have to settle for a much lower level of earnings. In addition, negligence at this time may result in a permanent loss of markets to other Mediterranean countries.

In the following calculations, two alternative estimates of 1972 Turkish citrus production are used. The "low" production estimate is the one set out in the Second Five Year Plan. This projection assumes a 6.0 percent annual increase in the production of oranges, a 5.4 percent increase in lemons, and a 11.5 percent increase in tangerines, and results in a total Turkish citrus production in 1972 of 595 thousand metric tons. The "high" production estimate assumes a 10 percent annual increase in total citrus

production. This is the growth factor used in the Redding paper.[1] It reflects the increases in the area planted in citrus that have occurred in recent years. At this rate, total Turkish citrus production will reach 696 thousand metric tons in 1972.

Two alternative estimates of 1972 Turkish domestic citrus consumption requirements are also used. The "low" domestic consumption requirements estimate, 475 thousand metric tons, is that of the SPO. This is the figure set out in the Second Five Year Plan. A "high" estimate is calculated, assuming a 5.6 percent annual increase in disposable income (such as forecast in the Second Five Year Plan), a population growth rate of 2.6 percent (the figure for the period 1960-1965), and an income elasticity of demand of 1.4 (as estimated by Redding[2]). This calculation results in a total domestic consumption requirements figure of 490 thousand metric tons in 1972.

Table A-4 presents four alternative projections of the Turkish citrus "balance" in 1972. Table A-5 sets out the citrus export possibilities of Turkey in 1972 and shows the effect on exports of the various assumptions about production and domestic consumption requirements. The quantity figures are converted to dollars by valuing citrus at $125 a metric ton.

One can see from Table A-5 that Turkish citrus exports in 1972 will range from a low of 105 thousand tons ($13.1 million) to a high of 221 thousand tons ($27.6 million), depending on the actual rate of growth of production and domestic consumption. It should be noted, however, that these figures indicate amounts (and values) of citrus available for export.

1/ Ibid., p. 20.

2/ Ibid.

Table A-4

Turkish Citrus Balances, 1972
(Thousand Metric Tons)

	Production	Net Trade (Imports less Exports)	Changes in Stocks	Supply	Total Domestic Consumption[a/]	Domestic Consumption Per Capita (kg./yr.)
Low Production Estimate:						
Low Consumption Estimate	595	-120	-	475	475	12.7
High Consumption Estimate	595	-105	-	490	490	13.1
High Production Estimate:						
Low Consumption Estimate	696	-221	-	475	475	12.7
High Consumption Estimate	696	-206	-	490	490	13.1

a/ Assumes a continuation of the 2.6% annual increase in population experienced during the period 1960-1965. At this rate, the population of Turkey will total 37.4 million in 1972.

Table A-5

Turkish Citrus Export Possibilities, 1972
(Thousand Metric Tons and Million Dollars)

	High Consumption Estimate	Low Consumption Estimate
A. Quantity ('000 MT):		
Low Production Estimate	105	120
High Production Estimate	206	221
B. Value ($ Millions)[a/]		
Low Production Estimate	13.1	15.0
High Production Estimate	25.8	27.6

a/ Citrus is valued at $125 a metric ton.

Actual shipments of these magnitudes can be accomplished only if the measures outlined above are taken. The provision of adequate transportation to the European markets is a particularly critical factor in enabling exports in the higher regions of the possibility range. As a point of comparison, the Second Five Year Plan citrus export target of 67 thousand tons ($8.4 million when valued at $125 a ton) falls considerably below the possibility range described herein. Redding's "notional" target for 1973, on the other hand, approaches the upper limit of the range. He envisaged exports in that year of 200 thousand tons ($25 million).[1/]

Other Turkish fruit exports in 1972 should amount to about $2 million, while an additional $2 million should be earned through exports of vegetables. This is twice as much as the implicit figure in the Plan, which is around $2 million for both categories taken together.

1.f. Cereals

(1) Wheat

The introduction of Mexican wheat in Turkey holds out the possibility of dramatically increased production and therefore substantial wheat exports by 1972. The importance of the wheat program to the Turkish economy can be readily appreciated when one recalls that in projections done in early 1965, as part of the USDA study of world food budgets, it was estimated that Turkey's wheat imports would increase by 1970 to about 500,000 tons annually. Although the increased use of fertilizer in the past two years has improved yields and rendered the production estimates in these earlier projections somewhat low, the benefit to the Turkish economy of wheat exports as opposed to imports of anything like this magnitude is apparent.

1/ Ibid.

One must be careful, however, to avoid over-optimism concerning this aspect of the Mexican wheat program. Exports in 1972 are not guaranteed. Very optimistic projections presented elsewhere[1/] rely on an assumed 1972 level of domestic per capita consumption which implies a high negative income elasticity of demand for wheat. If one assumes a continuation of the present rate of growth of population (2.6% annually) and an annual increase of 5.6 percent in disposable income (such as forecast in the Second Five Year Plan), these projections imply a negative income elasticity of demand for wheat of -0.48. The assumption is that wheat consumption will be very responsive to income changes during the Second Five Year Plan period; in contrast, the income elasticity of demand during the First Five Year Plan period was almost zero, i.e., per capita consumption remained constant in spite of rising incomes. By way of comparison, the Elkinton report estimates the income elasticity of demand for wheat in Turkey to be -0.083,[2/] while the FAO estimates that in 1962 it was a positive 0.2.[3/]

The foregoing considerations point up the need for a reconsideration of the export possibilities engendered by the Mexican Wheat program. These possibilities are delimited by three variables--the degree of acceptance of the new wheat technology, domestic consumption requirements, and secular movements in the international price of wheat.

1/ Agency for International Development, Turkey-Agricultural Loan: High Yield Wheat Seed Project, Washington, June 20, 1967, p. 23.

2/ Prospects for Turkish Agriculture: A Report by Study Team to the Minister of Agriculture, Ankara, December 1966, p. 10.

3/ United Nations, Food and Agriculture Organization, Committee on Commodity Problems, Agricultural Commodities-Projections for 1975 and 1985, Volume II, Rome (?), August 1966, p. 28.

Technological Acceptance

The degree of acceptance of the new wheat technology by the Turkish farmer is the principal determinant of the future trend of Turkish wheat production. For this reason, production estimates which do not take the Mexican wheat program into account are, for the purposes of this paper, considered obsolete. We have therefore disregarded earlier estimates of the SPO and the FAO and used a set of production estimates made by the AID Economic Planning Division with the assistance of the Office of the Agricultural Attache of the American Embassy. The range of these estimates (hereafter referred to as "USAID estimates"), however, encompasses both the SPO and the FAO estimates.[1/]

The Mexican wheat program appears to be going very well, and all indications are that technological acceptance will range from ample to almost complete. Since this year's crop is the first, however, it is impossible to say anything definite about the ultimate degree of acceptance. For this

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1/ The SPO estimate, as incorporated in the Second Five Year Plan, is 9,200 thousand metric tons. When this figure is adjusted to the same basis as the USAID estimates, it becomes 9,000 thousand metric tons. This estimate implies a wheat production growth rate considerably greater than the historical trend. According to the Plan, this high growth rate will be brought about by a reduction of fallow and the increased use of fertilizer.

On the basis of a study of production trends during the period 1950-1964, the FAO projects a 1.8 percent annual increase in area planted and a 1.2 percent annual increase in yield over the period 1962-1975, resulting in a 3.0 percent annual increase in production. This growth rate, when applied to the FAO's 1962 production estimate of 6,937 thousand tons, yields a production estimate for 1972 of 9,323 thousand metric tons.

Both of these estimates fall in the lower end of the USAID production estimate range, which is bounded by low and high estimates of 9,000 and 10,600 thousand metric tons, respectively.

reason, three alternative estimates of 1972 wheat production are used.[1/] In each case, the total area planted in wheat in Turkey is assumed to remain constant over the period in question. The wheat acreage in the coastal regions favorable to Mexican wheat is estimated at 1,750 thousand hectares. The portion of this area planted in Mexican wheat is assumed to double each year from 1968 (200 thousand hectares) to 1971 (1,600 thousand hectares). It remains at this same level in 1972; i.e., 150 thousand acres in the project areas continue to be planted in traditional varieties. The traditional wheat yield in both the coastal and the plateau areas is assumed to increase at an annual rate of 1.5 percent (slightly more than the 1959-1966 trend) from 1,314 kgs. per hectare in 1967 to 1,416 kgs. per hectare in 1972. The "low" production estimate assumes a very modest degree of success in the introduction of the new wheat technology. The result is a Mexican wheat yield of 2,100 kgs. per hectare, which is about 50 percent greater than the yield obtained with native varieties. The "medium" production estimate assumes greater success and results in a Mexican wheat yield of 2,800 kgs. per hectare, double that obtained with native varieties. The "high" production estimate represents complete success. In this case, an average Mexican wheat yield of 3,500 kgs. per hectare, or two and one-half times that obtained with native varieties, is possible.

1/ These estimates were taken from Agency for International Development, Turkey-Agricultural Loan: High Yield Wheat Seed Project, Washington, June 20, 1967, pp. 23-26.

Total Turkish wheat production in 1972 is thus assumed to be directly related to the degree of acceptance of the new technology and, with reference to the foregoing cases, is estimated at 9,000, 9,800, and 10,600 thousand metric tons, respectively.[1/]

Domestic Consumption Requirements

There has been no thoroughgoing attempt to measure the elasticities of demand for wheat in Turkey. Projections of future domestic consumption requirements, therefore, must rest on estimates of the income elasticity of demand for wheat which are purely conjectural. For purposes of comparison, we have used two sets of domestic consumption requirements projections, characterized by various alternative estimates of the per capita income elasticity of demand for wheat, the amount of wheat required for non-food uses, and the rate of growth of population. One set of projections is our own (USAID) and the other is derived from estimates made by the FAO.

The USAID Projections. The three USAID domestic consumption requirements projections are distinguished by alternative estimates of the income elasticity of demand for wheat. In each case, disposable income is assumed to grow at a rate of 5.6 percent annually, as forecast in the Second Five Year Plan, and population is assumed to continue to grow at the 2.6 percent annual rate experienced during the 1960-1965 period.

1/ These projections are all based on past performance as estimated by the Agricultural Attache. When compared to the official production statistics, they seem very low. For instance, the Ministry of Agriculture production statistic for 1966 (9,600 thousand metric tons) is almost equal to the USAID medium production estimate for 1972 (9,800 thousand metric tons)! There is no really compelling reason to regard one of these past production series as more accurate than the other. The USAID projections are based on the Agricultural Attache's past production estimates solely in order to reduce the possibility of overstatement.

The USAID "high" domestic consumption requirements estimate assumes no change in per capita demand. This is tantamount to saying that wheat consumption in Turkey has a zero income elasticity (as was apparently the case during the First Five Year Plan period), and that per capita consumption will remain constant in spite of any increases in per capita disposable income achieved by 1972. The USAID "low" domestic consumption requirements estimate assumes an income elasticity of -0.48, the figure implied in the Wheat Seed Loan Paper, while a "medium" consumption estimate is calculated using an income elasticity figure of -0.24. Once again, disposable income is assumed to grow at the 5.6 percent annual rate forecast in the Second Five Year Plan. If this rate is not achieved, domestic wheat consumption requirements will be greater, except in the high case, where wheat consumption is assumed to be income inelastic. Conversely, if this rate of growth is exceeded, domestic wheat consumption requirements will be less, again with the exception of the high case. Given these assumptions, per capita wheat consumption in Turkey in 1972 will range from 180 to 166 kgs./yr, and the total amount of wheat required for consumption as food will be 6,732, 6,225, and 6,470 thousand metric tons, respectively.

Additional amounts of wheat are required by the Turkish domestic economy for non-food uses such as feed, seed, and industrial uses. The Agricultural Attache estimates that requirements of this sort will total 2,700 thousand metric tons in 1972, and this figure is used in all the USAID projections. The high, low, and medium USAID estimates of 1972 total domestic consumption requirements are therefore 9,432, 8,925, and 9,170 thousand metric tons, respectively.

The FAO Projections. The FAO projected the demand for wheat in Turkey in 1975 and 1985[1] whereas, for the purposes of this paper, we are interested in obtaining an estimate for 1972, the last year of the Second Five Year Plan. The FAO figures are therefore adjusted in the following ways.

The FAO estimated the amount of wheat required by Turkey for consumption as food by means of a log-log-inverse function ($\log_e y = a - \frac{b}{x} - c \log_e x$). This function implies an increase in per capita consumption up to a maximum intake, followed by a decline, as income rises. It reflects the secular development of per capita consumption of staple foods when starting from levels of under-nutrition associated with very low incomes. This function was solved for the 1972 level of per capita consumption of wheat flour. The results were 157.7 kgs./yr. (low GDP assumption) and 155.3 kgs./yr. (high GDP assumption). Multiplying these figures by the reciprocal of the extraction rate (86.0%) results in estimates of 1972 gross per capita food consumption requirements of 183.4 and 180.6 kgs./yr., respectively.

The bases for the non-food uses requirements estimates in the FAO study are not explicitly explained. It is assumed, therefore, that these requirements increase at a constant rate from the base period (1961-1963) to 1975. Non-food uses requirements during the base period were 2,486 thousand metric tons. Estimated 1975 levels are 3,394 thousand metric tons (low GDP assumption) and 3,526 thousand metric tons (high GDP assumption). These imply (when the base period average is centered on 1962) annual rates of growth of 2.4 percent and 2.7 percent, respectively. These rates of growth result in 1972 non-food uses requirements estimates of 3,151 thousand metric tons (low GDP assumption) and 3,245 thousand metric tons (high GDP assumption).

1/ United Nations, Food and Agriculture Organization, Committee on Commodity Problems, Agricultural Commodities - Projections for 1975 and 1985, Rome (?) August and October 1966.

For the period 1965-1975, the FAO used a single population growth assumption corresponding to the medium United Nations population variant.[1/] The assumption is that the population of Turkey will increase 2.9 percent annually. This rate of growth results in a total population of 38.2 million in 1972. In light of recent trends, a 2.9 percent population growth rate seems excessively high. For this reason, the FAO projections are also calculated using the 2.6 percent growth rate experienced during the 1960-1965 period and projected in the Second Five Year Plan. This growth rate results in a 1972 population of 37.4 million.

The low and high GDP assumptions previously referred to result from the selection by the FAO of two alternative economic growth rates for the period 1965-1975. These rates were selected on the basis of an examination of Turkish national accounts for the period 1950-1963. The trends of the various time series expressed in constant prices were computed according to linear, semi-logarithmic, and log-inverse functions for the entire period and for 1958-1963. This analysis of past trends was supplemented by a review of planning documents and of projections made by the Turkish government and various other institutions. The actual selection of the growth rates, of course, was largely subjective. An attempt was made to take into account trends in productivity by sector, movements of labor between sectors, availability of natural resources, export prospects, and institutional and political factors. In general, a fairly conservative low rate was selected, while the high rate was set somewhat above past trends. The rates selected for Turkey were 0.6 percent and 3.6 percent, respectively, and they result in 1972 per capita GDP levels of $240 and $322.

1/ United Nations, Provisional Report on World Population Prospects As Assessed in 1963, New York, 1964.

As a point of comparison, the USAID projections assume a 3.0 percent annual increase in per capita disposable income, as projected in the Second Five Year Plan. This growth rate results in a per capita disposable income of $255 in 1972.

Adjusting the FAO projections results in the following alternative estimates of 1972 total domestic consumption requirements: assuming a 2.9 percent annual increase in population, 10,157 thousand metric tons (low GDP assumption) and 10,144 thousand metric tons (high GDP assumption); and, assuming a 2.6 percent annual increase in population, 10,010 thousand metric tons (low GDP assumption) and 9,999 thousand metric tons (high GDP assumption).

Price Movements. It will be difficult for wheat production on a worldwide basis to keep abreast of population increases over the next few years, in spite of the introduction in a large number of countries of new, high-yielding varieties. Price increases therefore seem probable. However, the extent of these increases cannot be gauged accurately at the present time. Therefore, in calculating potential foreign exchange earnings of wheat exports (and foreign exchange costs of wheat imports), a price of $60 a metric ton, which approximates the present international price, is used. This probably understates the potential foreign exchange earnings (and costs) involved.

Conclusions

Table A-6 shows Turkish wheat balances for the years 1952-1954 and 1965-1967, and Table A-7 gives twenty-one alternative projections of the balance in 1972. Table A-8 sets out the wheat export possibilities of Turkey in 1972 and shows the effect on exports of the various assumptions about production and domestic consumption requirements. The quantity figures are converted to dollars by valuing wheat at $60 a metric ton.

Table A-6

Turkish Wheat Balances, 1952-1954 and 1965-1967
(Thousand Metric Tons)

	Production	Net Trade (Imports less Exports)	Changes in Stocks	Supply	Non-Food Uses Requirements	Gross Food Consumption Requirements	Per Capita Food Consumption (kg./yr.)	Population (million)
1952	5416[a]	-109	46	5261	1738	3523	160	22.0
1953	6480[a]	-949	604	4927	1458	3469	153	22.6
1954	3822[a]	-259	856	4419	1262	3154	135	23.3
1965	7430[b]	156	-366	7952	2272	5680	181	31.4
1966	8200[b]	308	298	8210	2360	5850	183	32.2
1967	9000[b]	34	532[b]	8500	2500[b]	6000[b]	181	33.1

a/ Ministry of Agriculture figures revised according to the formula developed in Edgar Z. Palmer, Agriculture in Turkey: Long-Term Projections of Supply and Demand, Istanbul, Robert College, 1966.

b/ Agricultural Attache estimate.

Table A-7

Turkish Wheat Balances, 1972
(Thousand Metric Tons)

A. USAID Low Production Estimate

	Production	Net Trade (Imports less Exports)	Changes in Stocks	Supply	Non-Food Uses Requirements	Gross Food Consumption Requirements	Per Capita Food Consumption (Kgs/Yr.)	Population (millions)
1. 2.9% Population Growth								
FAO Low GDP Consumption Estimate	9,000	1,157	-	10,157	3,151	7,006	183.4	38.2
FAO High GDP Consumption Estimate	9,000	1,144	-	10,144	3,245	6,899	180.6	38.2
2. 2.6% Population Growth								
FAO Low GDP Consumption Estimate	9,000	1,010	-	10,010	3,151	6,859	183.4	37.4
FAO High GDP Consumption Estimate	9,000	999	-	9,999	3,245	6,754	180.6	37.4
USAID High Consumption Estimate	9,000	432	-	9,432	2,700	6,732	180	37.4
USAID Medium Consumption Estimate	9,000	170	-	9,170	2,700	6,470	173	37.4
USAID Low Consumption Estimate	9,000	-75	-	8,925	2,700	6,225	166	37.4

Table A-7

Turkish Wheat Balances, 1972
(Thousand Metric Tons)

B. USAID Medium Production Estimate

	Production	Net Trade (Imports less Exports)	Changes in Stocks	Supply	Non-Food Uses Requirements	Gross Food Consumption Requirements	Per Capita Food Consumption (Kgs/Yr.)	Population (millions)
1 2.9% Population Growth								
FAO Low GDP Consumption Estimate	9,800	357	-	10,157	3,151	7,066	183.4	38.2
FAO High GDP Consumption Estiamte	9,800	344	-	10,144	3,245	6,899	180.6	38.2
2. 2.6% Population Growth								
FAO Low GDP Consumption Estimate	9,800	210	-	10,010	3,151	6,859	183.4	37.4
FAO High GDP Consumption Estimate	9,800	199	-	9,999	3,245	6,754	180.6	37.4
USAID High Consumption Estimate	9,800	-368	-	9,432	2,700	6,732	180	37.4
USAID Medium Consumption Estimate	9,800	-630	-	9,170	2,700	6,470	173	37.4
USAID Low Consumption Estimate	9,800	-875	-	8,925	2,700	6,225	166	37.4

Table A-7

Turkish Wheat Balances, 1972
(Thousand Metric Tons)

C. USAID High Production Estimate

	Production	Net Trade (Imports less Exports)	Changes in Stocks	Supply	Non-Food Uses Requirements	Gross Food Consumption Requirements	Per Capita Food Consumption (Kgs/Yr.)	Population (millions)
1. 2.9% Population Growth								
FAO Low GDP Consumption Estimate	10,600	-443	-	10,157	3,151	7,006	183.4	38.2
FAO High GDP Consumption Estimate	10,600	-456	-	10,144	3,245	6,899	180.6	38.2
2. 2.6% Population Growth								
FAO Low GDP Consumption Estimate	10,600	-590	-	10,010	3,151	6,859	183.4	37.4
FAO High GDP Consumption Estimate	10,600	-601	-	9,999	3,245	6,754	180.6	37.4
USAID High Consumption Estimate	10,600	-1,168	-	9,432	2,700	6,732	180	37.4
USAID Medium Consumption Estimate	10,600	-1,430	-	9,170	2,700	6,470	173	37.4
USAID High Consumption Estimate	10,600	-1,675	-	8,925	2,700	6,225	166	37.4

Table A-8

Turkish Wheat Export Possibilities, 1972[a/]
(Thousand Metric Tons and Million Dollars)

	2.9% Population Growth		2.6% Population Growth				
	FAO Low GDP Consumption Estimate	FAO High GDP Consumption Estimate	FAO Low GDP Consumption Estimate	FAO High GDP Consumption Estimate	USAID High Consumption Estimate	USAID Medium Consumption Estimate	USAID Low Consumption Estimate
A. Quantity ('000 MT):							
USAID Low Production Estimate	-1,157	-1,144	-1,010	-999	-432	-170	75
USAID Medium Production Estimate	- 357	- 344	- 210	-199	386	630	875
USAID High Production Estimate	443	456	590	601	1,168	1,430	1,675
B. Value ($ Millions)[b/]:							
USAID Low Production Estimate	- 69.4	- 68.6	- 60.6	- 59.9	- 25.9	10.2	4.5
USAID Medium Production Estimate	- 21.4	- 20.6	- 12.6	- 11.9	22.1	37.8	52.5
USAID High Production Estimate	26.6	27.4	35.4	36.1	70.1	85.8	100.5

a/ Imports are designated by a minus (-) sign.

b/ Wheat is valued at $60 a metric ton.

The range of export (import) possibilities presented in Table A-8 is very large. The extremes are 1,157 thousand metric tons ($69.4 million) of wheat imports and 1,675 thousand metric tons ($100.5 million) of wheat exports. That is, if the Mexican wheat program is only modestly successful and if domestic consumption remains at a high level (a probable consequence of a lag in the growth rate of the economy), Turkey may be faced with wheat imports of 1,157 thousand metric tons ($69.4 million). On the other hand, if the wheat program achieves total success and if domestic consumption falls rapidly (which is more likely if the economy remains active), exports of 1,675 thousand metric tons ($100.5 million) in 1972 are possible. It seems certain, however, that consumption of some of the items subsumed under the non-food uses requirements category (e.g., livestock feed) is in fact a function of production, at least above some minimum level. It is probable, therefore, that if the situation were such that total demand exceeded domestic supply, the amount of wheat available for non-food consumption would be reduced; the excess demand would not be supplied by imports. It is likely, therefore, that the worst position with regard to wheat that Turkey can find itself in, in 1972, will be one of no exports or imports.

The really important thing to note is that wheat exports in 1972 are by no means inevitable, as was suggested in the Wheat Seed Loan Paper, but will require either a greater than modest success in the introduction of the new wheat technology or a reduction in the rate of growth of domestic consumption. Attaining a really substantial level of exports will require both.

The export outcomes considered most probable are entered in Table 4. The "low" export projection $22.1 million) corresponds to the USAID medium production estimate and the USAID high consumption estimate, while the "high" export projection ($37.8 million) corresponds to the two medium USAID estimates.

(2) Other Cereals

If exports of other cereals remain at the average level registered during the 1963-1967 period, Turkey can expect to earn $3.8 million from this source in 1972.

1.g. Mohair and Wool

The SPO target for mohair and wool appears reasonable and is entered without change in both our low and high projections.

1.h. Livestock and Animal Products

The potential for increased legal exports of Turkish livestock and animal products is substantial, but the problems involved may indeed prove intractable. At current prices, meat in Turkey is substantially cheaper than in the major European markets. In fact, there is no other major commodity group in which Turkey has as great a price advantage. But, exports to Europe are prohibited because of the existence in Turkey of hoof and mouth disease. However, there remain excellent prospects for exports to other countries in the Middle East, in particular Iran, Kuwait, and Saudi Arabia. Exports to these countries are permitted because they already have the varieties of hoof and mouth disease found in Turkey.

The Turkish Government is attempting to exploit this market, which is now supplied by means of extensive smuggling, by intensifying police measures and by constructing five meat purchasing and processing centers in southern Turkey. These center will purchase the animals (which are presently sold to smugglers) and ship them, either live or slaughtered, via the CENTO railroad to Iran or by truck to Syria, Kuwait, and Saudi Arabia. In addition, an airport will be constructed in Gaziantep to facilitate air shipments of meat to Kuwait and Saudi Arabia. Recently, the SPO has been active in establishing a market in Kuwait and Saudi Arabia by flying in frozen meats, in the hope that it will be feasible to satisfy future demands by land transport using refrigerated trucks.

Although there is considerable demand for Turkish livestock and animal products in the Arab countries and Iran, problems on the supply side will greatly limit exports. The general shortage of feed, low genetic potential of indigenous animal breeds, losses from disease and parasites, and shortage of well-trained government personnel servicing livestock producers all serve to inhibit production. In addition, the internal demand for meat will probably increase rapidly, as a result of population increases and rising per capita disposable income.

Taking all of the foregoing factors into consideration, the export target for live animals and meat ($18.3 million) set forth in the Second Five Year Plan appears to be over-optimistic. Indeed, Turkey will be lucky if export earnings from these two categories can be maintained at the $9.1 million level registered in 1967. The Plan targets of exports in 1972 of

$2.4 million worth of dairy products and $13.1 million worth of hides and skins also appear high; figures of $1 million and $9 million, respectively, seem more reasonable. In addition, exports of guts, etc. ($2.9 million in 1967) should increase to $4 million by 1972, and fur exports will continue to fetch around $300,000.

It is nevertheless possible that vigorous action by the Turkish government with respect to both production and marketing will permit realization of the Second Five Year Plan targets. If the latter are taken as a high projection and the figures indicated above are taken as a low projection, total Turkish exports of livestock and animal products in 1972 will range from a high of $34 million to a low of $23 million.

1.i. Olive Oil

The olive oil targets of the Second Five Year Plan are accepted as reasonable and incorporated into our projections.

1.j. Other Agricultural Products

(1) Fish

The SPO projection of fish exports is accepted.

(2) Oil Seed Cakes

The oil seed cake export projection is related to total cotton production, both estimated by the U.S. Agricultural Attache.

(3) Bran and Other Fodder

The USAID projection is an estimate made by the U.S. Agricultural Attache.

(4) Opium, Root Extracts, etc.

The Government of Turkey is undertaking a program of gradual elimination of poppy cultivation within the next few years. The number of provinces within which the opium poppy may be grown has been reduced from 21 in 1967, to 18 in 1968, and 11 in 1969; but plans beyond 1969 are not yet fixed. Our low projection therefore reduces to zero the figure for legal exports of opium; our high projection allows for $1.5 million of legal exports of opium.

(5) Oil Seeds

The USAID projections are an estimate made by the U.S. Agricultural Attache.

(6) Pulses

The USAID projections are an estimate made by the U.S. Agricultural Attache.

(7) Other Agricultural Products

Some increase over 1967 is assumed.

2. Manufactures

2.a. Lumber and Products

Turkey's exports of lumber and products can attain a level of $15 million by 1972, but the realization of this target would require:

(1) an increase in the level of timber removal from the forests. The present yearly growth of Turkey's forests is estimated at 9.6 million cubic meters. Removals in 1965 were only 3.6 million cubic meters, or about 40 percent of the potential;

(2) improvement in quality. Year-around logging, better transportation and storage facilities and better production techniques are required;

(3) a change in the pricing system. Under the present system, timber prices include not only the actual production costs but also the full cost of investments in roads (a method of depreciating these investments in one year is utilized) as well as the social investments and treasury shares (transfers to the budget in the form of stumpage fees, taxes and profits constitute a large portion of the total receipts from sales);

(4) active promotion of Turkey's forestry products in the Middle East and European markets.

If these steps are not taken, the SPO's projection of about $9 million is likely to be realized.

2.b. Food Products

Our low projection for the export of food products in 1972 is about $16 million, as shown in Table A-9. Our high projection takes account of the fact that there is additional export potential for tea, preserved food and alcoholic beverages.

(1) Sugar

The SPO target is accepted as our projection.

(2) Fig Paste

Fig paste exports are expected to recover from their current low levels and to show some rise over earlier results.

(3) Other Food Products

Tea production has increased substantially in recent years. If quality is improved, an increase in exports may be expected.

Table A-9

Food Products Export Projections

($ Thousand)

	1962	1967	USAID Projections 1972 Low	USAID Projections 1972 High	SPO Projection 1972
2.b.(1) Sugar	8,335	7,773	9,800	9,800	9,800
2.b.(2) Fig paste	1,219	567	1,500	1,500	n.a.
2.b.(3) Other	275	3,331	4,800	8,500	14,000
Tea	(-)	(1,880)	(2,000)	(3,000)	(1,400)
Preserved food	(59)	(436)	(500)	(2,000)	(7,100)
Alcoholic beverages	(190)	(551)	(1,800)	(2,500)	(1,800)
Other food products	(36)	(464)	(500)	(1,000)	(3,700)
Total	9,839	11,671	16,100	19,800	23,800

More high quality wine can be exported if the private producers become interested in foreign markets. At present only the Monopoly Administration is exporting wine.

Increased export of canned food depends on the availability of tin plate at reasonable prices.

2.c. Textiles and Clothing

On the assumption that the recently enacted incentives prove to be sufficient to provide producers with reasonable profits, the total exports of textiles and clothing together should reach $25.4 by 1972, as shown in Table A-10. If, however, favorable conditions prevailed throughout the entire coming four-year period, textile and clothing exports might reach a "high" of $37.6 million. There are no indications that the SPO's $52.2 million target can be realized.

(1) Fabrics

In general, the outlook for Turkish exports of textile fabrics is good. The domestic market is reaching a point of saturation and manufacturers are beginning to take a closer look at export possibilities. Some firms are already in the export business and are expanding slowly; only a lack of incentives has thus far prevented them from further increasing their activities. A demand for Turkish textiles exists in the EEC, the Eastern European and some of the Middle Eastern countries, and, although not measured, exceeds existing sales levels by a considerable amount.

The recent (April 1968) decree increasing export rebates on textiles from a maximum of 41 percent to a maximum of 56 percent should at least make it possible for textile producers to cover their costs of production if they do export. The increased rebate rates cannot be expected to have

Table A-10

Textiles and Clothing Export Projections
($ million)

	Actual 1967	USAID Projections 1972 Low	USAID Projections 1972 High	SPO Projection 1972
2.c.(1) Fabrics	2.3	23.1	33.2	33.4
Woolen textiles	(0.3)	(0.2)	(0.2)	(0.2)
Carpets	(1.5)	(2.0)	(2.0)	(4.3)
Knitwear (cotton)	(-)[a/]	(0.6)	(0.6)	(15.6)
Cotton fabrics	(0.5)	(20.3)	(30.4)	(13.3)
2.c.(2) Yarn				
Cotton yarn	0.1	0.2	0.2	n.a.
2.c.(3) Clothing and shoes				
Ready made clothing, other apparel, shoes and leather goods	0.6[a/]	2.1	4.2	18.8
Total textiles and clothing	3.0	25.4	37.6	52.2

a/ In 1967, cotton knitwear included in clothing.

much effect on this year's export levels, however, because of the time lapse between new orders, deliveries, and payments. Therefore, the 1968 level of exports of all textile fabrics should reflect a slight increase but cannot be expected to exceed $3 million, an increase of $0.7 million over 1967.

A conservative projection of exports of cotton fabrics for 1969 would be an increase to $6 million, utilizing present production capacities and already accepted textile patterns and qualities. After this initial increase, further expansion of sales will require producers to adopt new patterns, initiate quality control and develop their marketing techniques to meet the requirements of foreign markets. Such changes will take time and a period of gradual expansion may be anticipated after 1969, with the annual increase in sales not exceeding 50 percent per year. At this rate the figure should be $9 million in 1970, $13.5 in 1971, and $20.3 in 1972.

If the statements of some producers are to be accepted, however, the increases may be more rapid. Some manufacturers claim that with existing patterns and quality, particularly in cotton textiles, they can already meet much of the foreign demand. This would allow for higher gains in the first year after the increase in rebates but trading and marketing patterns would still prevent overwhelming increases. Our "high" projection for 1969 would, therefore, envisage a maximum of 200 percent increase (to $9 million). The subsequent expansion pattern would still have to be gradual because production facilities will still have to adjust to the foreign needs to continue their progress. A 50 percent growth rate from that point would mean sales of $13.5 million in 1970, $20.3 million in 1971, and $30.4 million in 1972.

(2) Yarn

Exports of yarn have been at a steady $0.1 million level since 1962 and there is no reason to assume that drastic increases will occur. The Sifas company is hoping to start exporting small amounts of yarn and a new yarn factory is being built in Bursa for the same purpose. Nevertheless, at best it may be projected that yarn exports will double by 1972 to $0.2 million.

(3) Clothing and Shoes

Clothing exports have increased from $0.1 million in 1963 to $0.6 million by 1967. Incentives and export know-how are still lacking and since styling and quality considerations are paramount for clothing items, market development requires a long time. Even assuming that proper incentives are offered, drastic increases cannot be expected and expansion has to begin slowly. However, once a satisfactory level of performance is reached, sales can increase rapidly.

The steady annual growth rate of exports should bring sales from the $0.6 million level in 1967 to $0.8 million in 1968. Without drastic changes in the export markets, export will probably not increase beyond our 1972 "low" projection of $2.1 million.

The new rebates introduced in 1968 could, however, give an impetus to foreign sales, particularly to shoe exports and to leather wearing apparel. The initial sales (in particular, sales to Communist countries) would probably not stress high quality and styling but even a few small orders of 50,000 pairs of relatively inferior quality shoes each would amount to between $0.3 and $0.5 million. At the present low sales level, any relatively small increases could turn into large percentage figures for the

next two years (1969 and 1970). Thereafter, only acceptable styles and patterns will make it possible to expand foreign sales, and expansion to our "high" projection of $4.2 million by 1972 will require more sophisticated production and hard selling.

2.d. Chemicals and Pharmaceuticals

From 1956 through 1967 exports of chemicals and pharmaceuticals fluctuated from a high of $2.3 million in 1958 to a low of $0.6 in 1964. Exports during 1965-1967 averaged slightly over $1.0 million. In the absence of extensive promotional efforts, the present level of sales can be expected to continue. There are no evident reasons to substantiate the SPO projection of $12.2 million in 1972.

2.e. Metals and Metal Manufactures

Exports of metals and metal manufactures have varied from a peak of $4.2 million in 1961 to a low of $0.1 million in 1962, and are currently at about $2.0 million. As indicated in Table A-11, we would not project exports of more than between $6.5 and $9.2 million by 1972. The SPO's projection of $42.9 million for 1972 does not seem justified.

With respect to ferro chrome, Etibank is interested in building another ferro-chromium plant in the Keban area as a joint venture. However, even if this project is realized, the plant will not be operational by 1972. The maximum production capacity of the present ferro-chromium plant is 8,400 metric tons. In 1967, Etibank exported 5,205 tons of ferro chrome at $295 per ton ($1.5 million). If the entire production (8,400 metric tons) were exported in 1972 at $320 per metric ton, this would bring in $2.7 million in foreign exchange. At 1967 prices this quantity would bring in foreign exchange earnings of $2.5 million (8,400 tons x $295 per ton).

Table A-11

Metal and Metal Products Export Projections

($ million)

	Actual 1967	USAID Projections 1972 Low	USAID Projections 1972 High	SPO Projection 1972
2.e.(i) Ferro chrome	1.5	2.5	2.7	6.7
2.e.(2) Electrolytic copper	-	-	-	-
2.e.(3) Other	0.5	4.0	6.5	36.1
Alumina	(-)	(-)	(-)	(5.6)
Metal goods	(0.291)	(1.5)	(2.5)	(4.5)
Non-electrical machinery	(0.170)	(0.5)	(1.0)	(9.3)
Electrical machinery	(0.055)	(1.5)	(2.0)	(13.9)
Radios, tapes, etc.	(-)	(-)	(-)	(1.5)
Railroad equipment	(-)	(0.5)	(1.0)	(1.3)
Total	2.0	6.5	9.2	42.8

With respect to alumina and aluminum, no exports are expected for 1972. According to a recent projection, the new aluminum plant to be built by the Russians will have 80,000 metric tons of alumina available for export by 1973 and also 30,000 metric tons of aluminum ingots by 1974. At export prices of $86/MT of alumina and $530/MT of aluminum, these quantities would yield foreign exchange earnings of $6.9 million (alumina) in 1973 and $22.8 million ($6.9 million of alumina and $15.9 million of aluminum) in 1974.

2.f. Tires and Rubber

Given the extremely high prices of the tire producers in Turkey, there is little likelihood of any significant amount of exports.

2.g. Other Manufactures

A breakdown of our export projections for "other manufactures" is given in Table A-12.

3. Minerals

3.a. Copper

To attain the target set by our high projection of $40 million by 1972, it is assumed that the Black Sea copper smelter at Samsun will be completed by that time, so that total output will reach 54,000 metric tons. Assuming that the present level of domestic consumption will remain at 10,000 metric tons because of increasing use of aluminum, 44,000 metric tons of copper will be available for export. The average 1967 price of exports ($909/MT) is used. If the smelter is not completed by 1972, copper exports will remain at their 1967 level of $17 million.

Table A-12

"Other Manufactures" Export Projections
($ million)

	Actual 1967	USAID Projections 1972 Low	USAID Projections 1972 High	SPO Projection 1972
2.g.(1) Petroleum products	0.4	-	-	-
2.g.(2) Stone, clay, glass, cement	0.3	3.8	7.4	10.3
Glass and products	(0.3)	(2.0)	(4.6)	(4.6)
Ceramics	(-)	(1.0)	(2.0)	(2.1)
Cement	(-)	(-)	(-)	(2.8)
Marble	(-)	(0.6)	(0.6)	(0.6)
Meerschaum	(-)	(0.2)	(0.2)	(0.2)
2.g.(3) Other	0.7	1.8	1.8	0.8
Asbestos	(-)	(0.8)	(0.8)	(0.8)
Other	(0.7)	(1.0)	(1.0)	(n.a.)
Total "Other manufactures"	1.4	5.6	9.2	11.1

3.b. Borates

Realization of our high projection will be contingent upon acquistion by the British Company, Borax Consolidated, of the right of operating reserves which they claim to have proved. If an agreement can be reached with this company, exports can be increased to $15 million in a year or two. If not, the SPO's target of $8 million is a reasonable projection.

3.c. Chrome

No increase over current levels is expected.

3.d. Lead-Zinc

The USAID projection is an estimate by the U.S. Minerals Attache.

3.e. Magnesite

The USAID projection is an estimate by the U.S. Minerals Attache.

3.f. Other Minerals

The USAID projection is an estimate made by the U.S. Minerals Attache. Exports of mercury are expected to increase from $1.3 million in 1966 to $12.5 million in 1972, owing to the exploration of new reserves.

Annex B. Analysis of Interviews

The numbers of firms and organizations interviewed by sector and a tabulation of interview comments by problem areas are presented in Table B-1.

Table B-1

Analysis of Interviews

I. Number of Firms or Organizations Interviewed by Sector:

Agricultural Exports:	22	firms
Cotton	4	
Tobacco	5	
Hazelnuts	3	
Fruits and Vegetables	4	
Other	6	
Manufactured Exports:	21	firms
Textiles	9	
Other	12	
Other Interviews:	24	interviews
Government	4	
Chambers and Unions	12	
Banks	2	
Transportation	1	
Izmir Exporters Meeting	1	
IGEME	1	
Economic Development Foundation	1	
Kursa Industrial Park	1	
Izmir Fair	1	
Total	67	

Table B-1 (cont.)

Analysis of Interviews

II.	Problem Areas (number of comments): 1/	
A.	Incentives	
1.	Lack of incentives or insufficient incentives	18
2.	Insufficient amount of rebates	11
3.	Exports are unprofitable, taxes too high	10
4.	Prices too high to meet competition	8
5.	Domestic market more attractive	3
	Total comments	50
B.	Procedures	
1.	Registration, etc.	5
2.	Tax rebate administration	4
3.	Credit not available, rates too high, collateral requirement, lack of export insurance	15
4.	Difficulty to get imported materials	6
5.	Retention system needed	6
	Total comments	36
C.	Marketing	
1.	Problems of styling for export	7
2.	Need for advertising and agents	6
3.	Inadequate quality and standards	7
4.	Need for organized effort	
5.	Need for market study and market information	7
6.	Transportation facilities inadequate and costly	8
7.	Lacking export know-how and management	7
	Total comments	48
D.	Capacity	
1.	Insufficient capacity	4
2.	Available excess capacity but not enough for export	5
		9
3.	Excess export capacity	4
	Total comments	13

1/ Maximum number would be 67 or the total number of interviews.

Annex C. Turkey's Export Rebate System

The taxes rebatable under the provisions of Law No. 261 of June 27, 1963 and the most recent allowable rates of rebate are shown in the following tables:

Table C-1	List I:	Taxes Refundable
Table C-2	List II:	Permanent Rates Allowable for Specific Commodities
Table C-3	List III:	Items Excluded from Rebate System
Table C-4	Commodities Receiving Temporary Rebates of 15% or 5% of Export Price	

Table C-1

Turkey's Export Rebate System
List I: Taxes Refundable

(reference to numbered laws includes amendments thereto)

A - Indirect Taxes
- (a) Domestic levies:
  1. Production tax (including taxes on electricity, gas and fuel) (Law No. 6802)
  2. Sugar consumption tax (Law No. 6747)
- (b) Import levies:
  1. Customs tax (Law No. 5383, excluding chapter 24
  2. Production tax (Law No. 6802)
- (c) Service taxes:
  1. Bank and insurance transactions tax (Law No. 6802)
  2. Transportation tax (Law No. 682)
  3. Postal, telegraph, and telephone service tax (Law No. 6802)

B - Lirect Taxes
Employees income tax collected from employers (Law No. 193)

C - Duties, fees, and municipality share
- (a) Duties:
  1. Stamp duty on import declarations (Law No. 185)
  2. Stamp duty and stamp tax (Law Nos. 1324 and 488)
  3. Monopoly duty on salt (Law No. 3078)
  4. Monopoly duty on alcohol and alcoholic beverages (Law No. 4250)
  5. Monopoly duty on tea (Law No. 3788)
  6. Monopoly duty on tobacco and products (Law No. 3437)
- (b) Fees:
  Statute on fees (Law No. 492)
- (c) Municipality share:
  Municipality 15 percent share of customs duties (Law Nos. 2656 and 5237)

Source: Decree No. 6/8749, effective August 12, 1967, Official Gazette No. 12713.

Table C-2

Turkey's Export Rebate System:
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

Industry and Item	New Rate	Previous Rate
I. Manufacturing Industry		
1. Foods		
A. Olive oil, natural, in bulk	3.10	3.1
" " " , in containers	12.40	6.4
" " refined, in bulk	4.30	4.3
" " " , in containers	16.30	8.3
" " diluted, in bulk	3.80	3.8
" " , in containers	17.60	7.6
B. Conserves		
Jams, jellies, marmelade	29.36	15.4
Concentrated tomato sauce	23.06	11.0
Tomato juice	27.23	14.0
Other vegetables	21.97	10.1
Tuna fish	19.67	8.4
Sardines	19.41	12.0
Other prepared foods	25.82	12.0
Pickles	18.87	11.6
Green olives	14.95	9.4
Concentrated fruit juice	19.42	8.2
Natural fruit juice	26.67	13.6
C. Frozen fish, frozen sea food	17.35	9.7
D. Salted fish	14.52	10.6
E. Chocolate (all kinds)	39.51	-
2. Beverages		
Table wines, bulk	20.80	5.2
" " , bottled	35.90	11.2
Sparkling wines, bulk	26.28	19.8
" " , bottled	36.49	-

Table C-2 (Con't.)

Turkey's Export Rebate System:
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

	New Rate	Previous Rate
3. Textiles and Clothing		
A. Cotton goods		
Yarns, coarse, combed	15.08	4.6
Yarns, coarse, carded	13.48	3.2
" , medium, combed	16.37	5.7
" , " , carded	14.73	4.3
" , fine, combed	17.45	6.6
" , " , carded	15.78	5.2
" , extra fine, combed	19.55	8.3
" , " " , carded	-	-
Fabric, unbleached	43.00	35.0
" , bleached or mercerized	46.00	36.0
" , printed, etc.	50.00	40.0
" , high quality	56.00	46.0
Cotton netting	24.76	18.9
" towelling	34.40	24.4
" beach jackets	28.90	18.9
Trench coats	41.40	-
Jacket (Canadian type)	42.66	-
Bedspreads (bleached or dyed)	45.04	-
Knitwear, mercerized	31.20	17.3
B. Woolen goods		
Woolen yarn	12.04	20.0
" " for rugs and carpets	9.36	2.2
" fabrics	54.00	44.0
" and mohair blankets	33.30	25.3
Rugs and carpets, up to 2.5 metric straygarn	13.96	-
" " " , over 2.5 metric "	19.31	-
Knitwear	40.00	39.0
C. Synthetic textiles		
Fabrics, synthetic & artificial mixed	48.68	-
" " " cotton "	50.60	-
" " " woolen "	50.23	-
Netting	44.00	36.0
Knitwear	29.57	16.9
Men's nylon socks	33.0	23.0
Women's nylon stockings	30.30	20.3
Children's nylon stockings	31.50	21.5

Table C-2 (Con't.)

Turkey's Export Rebate System
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

	New Rate	Previous Rate
4. Forest Products and Manufactures		
Walnut veneer	11.82	1.7
Ground vallonia	15.45	6.6
Vallonia extract	16.06	7.1
Liquorice extract	8.70	7.7
5. Paper products (TL per unit)		
Raisin boxes made by SEKA	0.45	0.55
Fig boxes made by SEKA	0.55	0.45
Cardboard boxes, for packaged hazelnuts made by SEKA	0.32	-
6. Leather Goods and Footwear		
Sole leather	18.71	-
Calf leather	17.96	-
Leather for clothing	18.50	-
Artificial (plastic) leather	36.57	-
Clothing manufactured from leather	27.37	-
" " " wool and leather	32.27	-
Shoes and articles made from natural leather and/or synthetic soles	27.51	-
Shoes and articles made from artificial (plastic) leather	32.35	-
7. Chemicals		
Alcohol	2.61	2.4
Lanolin	10.90	5.3
Fish oil	14.93	8.6
Oil cake	4.33	-
Synthetic paint materials	45.69	-
Natural paint materials (turpentine, etc.)	23.91	-
Varnishes	31.52	-
Paints and dyes, cellulose	34.44	-
Paints and dyes, oil	26.46	-
Paints and dyes, synthetic	32.45	-
Munitions	32.45	-
Phonograph records, resins for	15.00	-
Carbides (TL per ton)	295.40	295.40

Table C-2 (Con't.)

Turkey's Export Rebate System
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

	New Rate	Previous Rate
8. Glassware		
Window glass	25.67	12.9
Glass containers	28.70	-
Glassware, other	25.70	15.0
Ornamental vases and crockery	22.01	11.7
Glass mosaic	26.70	15.0
Medical bulbs, antibiotic bottles	25.40	22.4
9. Porcelain		
Porcelain tiles	20.40	14.4
Porcelain sanitary installations	24.20	18.2
Electric insulators	23.10	14.1
Other porcelain articles	20.50	11.5
10. Iron and Steel		
Pig iron	25.92	-
D.C.P. sheets	25.85	-
Sheets for ship building	24.32	-
Tin plate	29.15	-
11. Non-ferrous metals		
Ferrochrome, boxed (TL/per ton)	498.60	498.60
" , in drums (TL/per ton)	521.50	521.50
" , cast, unpacked (TL/per ton)	492.68	492.68
Silico-ferrochrome, boxed	492.10	492.10
" " , in drums "	514.90	514.90
" " , cast "	486.18	486.18
Chrome concentrates	24.81	13.0
Antimony concentrates	13.00	13.0
Antimony metal	10.60	10.6
Electrolytic copper-cathode	24.20	21.2
" " wire	30.96	16.5
Other electrolytic copper products	34.75	20.1
Non-electrolytic copper products	21.73	10.0
Copper cable	47.30	37.3

Table C-2 (Con't.)

Turkey's Export Rebate System:
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

	New Rate	Previous Rate
12. Metal wares		
Skid chains	21.30	13.3
Iron chain	21.00	13.0
Straight pins	23.60	15.6
Paper clips (wire)	20.80	12.8
Drill tips, carbon steel	38.80	29.8
Drill tips, alloy steel	34.20	25.2
Brass rods of M.S. 58 standard	25.09	-
Items made from M.S. 58 standard brass rods	28.55	-
Chromium plated items made from M.S. 58 standard brass rods	29.22	-
13. Household appliances, Other machinery		
Household-type refrigerators	49.00	39.0
Automatic & semi-automatic centrifugal washing machines	34.27	-
Roller gins, non-automatic	20.99	10.2
Automatic feeders (for gins)	23.97	12.4
14. Electrical appliances, Other machinery		
Electric bulbs	35.43	20.5
Starter and stationary batteries	38.23	-
Tractional batteries	39.15	-
Electrothermal instruments	26.47	-
15. Electronic Equipment		
Statistical cards for electronic machines (TL/per 2,000 cards)	13.14	-
16. Automotive Equipment		
Springs	38.04	22.0
Roller lining (flexible)	38.93	22.5
Others	28.80	16.4
17. Railway Equipment		
Wagons (railway carriages of all types)	29.93	15.8

Table C-2 (Con't.)

Turkey's Export Rebate System:
List II: Permanent Rates Allowable for Specific Commodities
(Percentage of Export Price or Unit Amounts Paid to Exporters)

	New Rate	Previous Rate
II. Tourism		
Gifts and Touristic Items		
Meerschaum products	10.00	3.9
Silver manufactures	10.00	-
Other tourist and gift items	18.00	-

Source:

New Rates: Decree No. 6/9863, effective April 30, 1968; in Official Gazette No. 12887

Previous Rates: Decree No. 6/8749, effective August 12, 1967; in Official Gazette No. 12713

Table C-3

Turkey's Export Rebate System:
List III: Items Excluded from Rebate System

Item No:	Material
1	Egg yolks
2	Strained honey
3	Intestines, bladders & stomachs of animals
4	Sinews, tendons, parings, and similar wastes of raw hides and skins
5	Feathered birdskins and feathers
6	Bones, horns, wastes and dusts
7	Pulses (processed)
8	Dried roots and tubers
9	Processed or dried fruit
10	Shelled hazelnuts, almonds, etc.
11	Fruit peelings
12	Shelled peanuts
13	Beeswax
14	Molasses
15	Bran and other residues
16	Oil cakes
17	Leaf tobacco and tobacco refuse
18	Hides and skins
19	Cotton and cotton wastes
20	Rags and waste
21	Raisins
22	Figs
23	Hazelnuts
24	Metal ores
25	Snails and snail meat
26	Hand carpets and rugs
27	Rice
28	Salted olives
29	Rose oil
30	Benzol
31	Walnut logs and lumber
32	Exposed film
33	Ground red pepper
34	Fish meal
35	Tar (processed from coke)

Source: Decree No. 6/8749, effective August 12, 1967 (Official Gazette No. 12713); and Decree No. 6/9863, effective April 30, 1968 (Official Gazette No. 12887)

Table C-4

Turkey's Export Rebate System:
Commodities Receiving Temporary Rebates of 15% or 5% of Export Price

Serial No.	Product
15% Group (Products Subject to Production Tax):	
1	Carbon paper
2	Typewriter ribbon
3	Fish net
4	Upholstery material
5	Tires
6	Storage battery, accessories
7	Eye-glass frames
8	Wooden parquet
9	Diesel engines
10	Ladies' and childrens' underwear
11	Medical and surgical cloth
12	Brass products
13	Steel products
14	Table cloth (cotton)
15	Articles (polyester/cotton)
16	Kerosene lamp wicks
17	Worsted woolen material
18	Valves, water
19	Bathroom fixtures (chrome)
20	Material from viscon yar
21	Aluminum cables and profiles
22	Nylon and poplin-shirts
23	Workers uniforms
24	Electrical tea-brewing sets
25	Synthetic necktie material
26	Metal tablewear
27	Radio sets
28	Speedboats (fiber, polyester)
29	Woolens, ready-to-wear
30	Paste for phonograph records
31	Plumbing articles, various
32	Washing machines
33	Gas cooker, enameled
34	Artificial leather and flooring
35	Woolen jersey cloth
36	Cotton lining material
37	Quality woolens, ready-to-wear
38	Bathing suits
39	Woolen underwear
40	Cotton bed sheets
41	Springs

Table C-4 (Con't.)

Turkey's Export Rebate System:

Commodities Receiving Temporary Rebates of 15% or 5% of Export Price

Serial No.	Product
15% Group (Products Subject to Production Tax) (Con't.):	
42	Saw blades
43	Cutters for machine tools
44	Chocolate
45	Semi-boots and shoes
46	Computer cards
47	Pressure cookers
48	Trucks
49	Silk and cotton ready-to-wear
50	Jersey cloth, synthetic
51	Electric and electronic items, materials
52	Locks
53	Oil filters
54	Gas, LPG stoves, ovens, heaters
55	Tooth paste
56	Plasticisers (DOP, DIOA, DEP)
57	Medical plasters
58	Central heating boilers, radiators
59	Alkic resin
60	Gun oil
61	LDT and BHC
62	Flooring tiles
63	Iron for concrete structures
64	Textiles, cotton/synthetic
65	Ready-to-wear, cotton/ synthetic
66	Textiles, woolen/synthetic
67	Ready-to-wear, woolen/synthetic
68	Medical and pharmaceutical items
69	Glass wool, fiber and articles
5% Group (Products Not Subject to Production Tax):	
1	Ore concentrates (ex. copper)
2	Heat-insulation plates
3	Synthetic wood
4	Toilet soap
5	Men's shoes
6	Lokum (Turkish delight)
7	Refrigerated and frozen meat
8	Wire rods
9	Pest-control drugs
10	Leather and products
11	Slippers

Table C-4 (Con't.)

Turkey's Export Rebate System
Commodities Receiving Temporary Rebates of 15% or 5% of Export Price

Serial No.	Product
5% Group (Products Not Subject to Production Tax) (Con't.)	
12	Sesame sweetmeat (helva)
13	Foundry casting
14	Marble, onyx (not over 6 cm.)
15	Boracite, packed
16	Dried fish
17	Pure sulphur
18	Mercury
19	Acrylic plates (advertising)
20	Shelled and packaged filberts, dried, sliced, or bleached
21	White cheese
22	Crushed borite
23	Crushed calcite
24	Canned meat
25	Powder, talc
26	Powder, Kaolin
27	Penol, dehydrated, crude
28	Glycerine
29	Laundry soap
30	Macaroni, etc.
31	Dried vegetables
32	Plates from scrap wood
33	Textiles from crude silk
34	Napthalene
35	Cement

Source: Official Gazette 12818, February 5, 1968 and IKA Bulletin No. 4293, February 6, 1968.

Annex D. Proposal for a Trade Expansion and Liberalization (TEL) Program for Turkey - R. Elberton Smith

I. Basic Characteristics and Initial Operation

Under the present proposal, Turkey would institute, effective January 1, 1969, a five-year program of Trade Expansion and Liberalization (TEL). The primary objectives of the program would be the simultaneous promotion of exports, expansion of imports, and liberalization of foreign trade. Under TEL Turkish exporters initially would be allowed to retain, for their own use or resale in the free market, 20 percent of the foreign exchange proceeds of all their exports. Holders of such free foreign exchange (TEL exchange) would automatically be entitled to import, up to the value of TEL exchange held by them, any commodity eligible under the existing import regime for importation from convertible currency countries. No taxes, fees, or other charges or restrictions would be permitted against TEL exchange, and no deposit requirements or other taxes or fees, except those customarily levied upon importation (to be specified in the basic regulation establishing TEL) would be applicable to imports financed with TEL exchange. In order to build up a competitive free market for TEL exchange, all commercial banks in Turkey would be authorized to buy and sell such exchange without restriction except for minimal regulations to insure fair and competitive treatment of buyers and sellers. In designing and implementing TEL procedures, the central objective would be simplicity of procedures and avoidance of unnecessary delays and paperwork, thereby insuring maximum expedition both of payments to exporters and of importation and customs clearance for importers. Further administrative and operating details of TEL might be somewhat as follows.

1. Initial Role of Central Bank under TEL. The Turkish Central Bank would establish a special foreign exchange account (TEL account) exclusively for handling deposits, withdrawals, and balances of TEL exchange (20% of export proceeds). Deposits to the TEL account, and simultaneous issuance to exporters of certificates of deposit, would be made immediately upon receipt of notification of transfer by the foreign bank making payment to Turkish exporters. Turkish exporters would thus receive 80 percent of the proceeds of their exports in the form of Turkish lira, converted at the official rate, and 20 percent in the form of a numbered and negotiable TEL Foreign Exchange Certificate and General Import License (TEL certificate). TEL certificates would evidence the obligation of the Central Bank, within the total amount and kind of currency specified therein, to (1) transfer upon demand and to the order of the holder, in one or more instalments, TEL exchange in payment for authorized imports; (2) issue upon demand and to the order of the holder, specific TEL import licenses in the required commodity categories and amounts. TEL exchange for any particular currency would thus be completely divisible and fungible; it would also be convertible to the extent of the convertibility of the currency specified in the certificate.

2. Negotiability of TEL Certificates. TEL certificates would be issued in the name of the original exporter, and would be completely negotiable by him, with transfer of ownership indicated by simple endorsement. In the interest of simplicity and to minimize further endorsements, sales by other than the named exporter might be restricted to purchases by importers or banks. Restriction of sales in the first instance completely to banks would be undesirable, inasmuch as the Turkish banking system is actually and potentially too

oligopolistic, as well as being subject to governmental and central bank controls, to guarantee completely competitive buying and selling rates. However, the option of exporters to sell to anyone, and of such purchasers as well as named exporters to sell directly to importers, who in turn could obtain the foreign exchange and specific import licenses directly from the Central Bank, would tend to keep bank rates competitive.

3. Role of Commercial Banks. Commercial banks would be empowered to act both as dealers and brokers in TEL exchange, and would be free to establish their own buying and selling prices as dealers, and their rates of commission as brokers. Although banks would probably prefer to act as dealers for most of their TEL transactions, they should also have the freedom to act as brokers in order to handle large or unusual transactions. Banks would be required to post at all times their buying and selling rates as dealers; publication of bid and asked rates as brokers might be left optional, to permit negotiation as required. In addition to posting the continuous course of exchange rates, banks would be required to submit monthly reports to the Central Bank summarizing their transactions in the currencies concerned.

It would obviously be desirable to utilize the commercial banks as fully as possible, both for the convenience of the trading community and to simplify Central Bank accounting. By virtue of their widely dispersed network of branches and established relations with the Central Bank, commercial banks could create a highly efficient market for TEL certificates. Certificates acquired by commercial banks would be deposited to their TEL account in the Central Bank, against which they would sell TEL exchange to importers at the prevailing market price. Commercial banks would have on hand a supply of streamlined TEL Import License forms, and when selling TEL exchange would prepare and transmit these to the Central Bank for processing, endorsement, and

return. Prompt action by the Central Bank would be routine, since no policy problems or questions of foreign exchange availability would be involved. The Central Bank would simply charge the commercial bank's TEL account, issue the foreign exchange transfer notice to the importer's overseas correspondent, reduce its own holdings of TEL exchange, and countersign the TEL license, for return to the importer via the commercial bank. The details of notification, transfer, etc., would utilize and improve upon procedures in effect at the present time. As indicated above, importers holding directly acquired TEL certificates would be free to deal directly with the Central Bank, obtaining TEL licenses and exchange transfers on presentation of certificates. The Central Bank would establish its own buying and selling rates, fairly close to commercial rates, to take care of refunds and overages when dealing directly with importers. Other desirable features and improvements on the above suggestions would be developed both before and after commencement of the program by drawing on the suggestions of all interested sources.

II. Transition to Full Liberalization

The longer-term objective of the TEL program would be full liberalization of Turkey's foreign trade regime approximately by the end of 1973. By this is meant elimination of quantitative and other direct controls, and restoration of exchange rate flexibility, for all commercial exports and imports of merchandise, between Turkey and convertible currency countries, by the indicated date. Liberalization of Turkey's bilateral trade arrangements, as well as service and capital items in Turkey's balance of payments, involves separate or additional problems and would be separately handled. The selection of the target date

represents a compromise between two basic requirements: (1) the necessity for Turkey to attain basic economic viability, particularly in her external economic relations, by the end of the period of large-scale external economic assistance; and (2) the need for an orderly transition to full liberalization, during which continual progress toward liberalization would be maintained while minimizing sudden shocks and strains on the Turkish economy. In order to move the program steadily toward liberalization, the free market proportion of total export earnings would be increased 20 percent annually, reaching 100 percent by the end of 1973.

During the transition period the Turkish government would adjust its foreign exchange allocation policies and procedures to reflect the increasing use of the market mechanism for distributing export-earned foreign exchange. Since the TEL system does not contemplate a basic change in the character of commodity eligibility for importation during the transition period, the central task of allocation policy would be the systematic reduction in the volume and kinds of raw materials and capital items continuing to receive import subsidies, at the expense of exports, through the artificial cheapening of foreign currencies when converted into Turkish lira.

In making such reductions the basic criteria would be economic efficiency and essentiality, with the emphasis on more complete utilization of industrial capacity already in being. While allocation policies and criteria developed through the experience of the past decade would continue to be of importance, these would be reviewed and adapted in the light of changing conditions under the liberalization program. Closer and more intimate cooperation between the GOT and the private sector would help to achieve a more economic division

of foreign exchange, both within and between the public and private sectors. The Union of Chambers has recently pointed to excess capacity among small artisans favored by cheap interest rates and foreign exchange. Similar excesses no doubt exist, possibly on a larger scale, in state economic enterprises similarly favored. Perhaps a joint committee, with equal representation from public and private sectors, could be formed to review both sectors and make public its findings and recommendations concerning excess capacity and allocation problems in general. In any event, state economic enterprises and government agencies would, in general, be required to pay the prevailing rate of exchange for foreign currencies on the same basis as the private sector.

It is of major significance to note that the TEL program would deal with only a portion of Turkey's total foreign exchange availabilities. Foreign exchange made available through external assistance programs, workers' remittances, and service transactions would still be subject to allocation by the GOT, and other foreign exchange, including private foreign investment and inconvertible currency credits under bilateral trade agreements, would continue to be available to the Turkish economy as a whole. While the TEL program would thus fall considerably short of full liberalization of Turkey's total external economic relations by 1973, it would accomplish liberalization of the most important and dynamic portion thereof. In so doing it would realize three major objectives, all of which are prerequisite to Turkish economic viability and her capacity to successfully enter common market arrangements with the EEC: (1) it would provide Turkey with balance-of-payments equilibrium in the most important and vulnerable sector of her total external accounts; (2) it would provide, from the very beginning of the program, a powerful incentive for

expansion of exports and increased domestic production of all exportable commodities; (3) it would, throughout the program, stimulate more efficient utilization of imports and the development of self-sustaining domestic industries capable of producing import substitutes on a sound economic basis. The essence of the TEL proposal is the systematic preparation of the Turkish economy for the eventual replacement of aid with trade. It seeks to do this by building into the Turkish economy the basic economic mechanism for identifying relative essentiality, obtaining maximum production, and minimizing the dissipation of scare resources. The achievement of this objective in the vital sector of external economic relations is indispensable to its achievement elsewhere in the Turkish economy. Only by creating the basic conditions for maximum efficiency and productivity throughout the economy can Turkey fully realize her goal of true economic development on a permanently self-sustaining basis.

III. Special Issues and Problems

Many specific questions, issues, and problems will naturally arise in a consideration of the operation and probable effects of the proposed program. The more fundamental economic policy issues underlying the present proposal are discussed at length in the memorandum "Background Material for Proposals to Liberalize Turkey's Foreign Trade Regime." The following questions and answers are addressed to a few of the more obvious issues.

1. How Will TEL Expand Turkey's Export Earnings?

For many years all of Turkey's exporters have been operating under discriminatory foreign exchange rates serving to subsidize cheap imports at the expense of exports. This artificial cheapening of foreign currencies, through

the instrument of governmentally adopted and enforced "official" rates of exchange, has produced an across-the-board reduction in money receipts by Turkish exporters for all commodities sold by them in foreign markets. This reduced level of money receipts has resulted in prices per unit inadequate to cover unit costs of production for normal levels of output in all export industries. Under such artificially depressed prices only the most efficient firms and industries can survive, and even these can produce and export only at reduced levels of output. A restoration of export earnings to levels provided by free-market exchange rates will enable Turkey to expand production and exports not only in traditional lines but in new export industries as well.

2. Should All Exporters Be Allowed to Benefit from TEL?

Some export "bonus systems" adopted by various countries attempt to distinguish between "traditional" and "new" exports, and to reward only the latter for all or increased quantities of exports. Such systems are, in general, economically unsound, inequitable, costly to administer, and ultimately self-defeating. Export earnings from all economically self-sustaining sources must be presumed equally desirable and, therefore, be accorded equal treatment. This applies to both old and new exports, whether from long-established, recently-established, or future firms and industries. The attempt to correctly ascertain how much of each of hundreds of different commodities or items individual firms or industries, old or new, have produced and/or exported in each and every past year, or some average thereof, is itself an impossible task. A further attempt, on the basis of information thus obtained, to confine the benefits of future production and/or exports only to quantities in excess of past amounts or averages would soon become as obviously inequitable as it is

economically unsound in conception. An attempt even to correctly and completely define and identify an "export industry," "export firm," or "export product" is fraught with insuperable difficulties and is completely unnecessary for purposes of export expansion in free markets. TEL is not an export "bonus" system; it does not set up a class system for exporters; nor does it attempt to reward or penalize exporters for past production. It does, however, belatedly attempt to restore Turkish exporters to a normal competitive position with the rest of the world in international markets, and to provide equal opportunities in the future for all Turkish exporters to receive the true market value of their exports.

3. Will High TEL Exchange Rates Penalize Importers and Excessively Reward Exporters?

TEL exchange rates will be determined by demand and supply in a free market. If the free market rate exceeds the arbitrarily fixed official rate, the difference in rates is more a measure of the artificiality of the official rate than it is an indication of excessiveness of the free rate. The higher free market rate represents, in fact, a higher price voluntarily paid for a superior commodity of obviously greater value. The superior commodity represented by the free rate is an immediately available supply of foreign exchange, usable for the purchase of any of a wide range of essential imports. The inferior commodity represented by the official rate is typically either a non-existent or inadequate supply of foreign exchange available only after months of waiting and uncertainty, and usable only for narrowly specified purposes. Since all importers who purchase TEL exchange do so voluntarily, and since all exporters are allowed to retain an equal proportion of their earned exchange, none can be said to be excessively rewarded or penalized.

If, on the other hand, the question is asked whether some exporters and/or export industries will make increased profits under TEL, the answer is that all exporters and export industries will tend to make higher profits under TEL. That is the purpose of the TEL proposal, since increased earnings and profits are the mechanism by which Turkey can most efficiently and rapidly expand her exports, production, and overall GNP. High profits in an industry furnish both the stimulus and the investible resources for greater production. High profits not only encourage existing firms to expand production but attract new firms, new workers, new capital, and new ideas into the industry. The overall result is a rapid increase in productive capacity and output, with a consequent increase in market supply, reduction of prices, and ever-widening distribution of the fruits of the economic development thus achieved. There are thus three characteristics of profits in a competitive economy which are particularly relevant to a discussion of export expansion in Turkey: (1) such profits are earned profits, representing superior performance and efficiency in meeting the economy's most urgent needs; (2) they provide investible resources for further expansion of productive capacity; (3) they are soon reduced by competition, expanded output, and lower prices to the average rate of return on invested capital throughout the economy. These characteristics of profit and the profit motive in a truly competitive economy not only protect the society against any serious incidence of "unjust enrichment"; they are society's best guarantee of high-level productivity and greater abundance for all. If there is any genuine concern over the possibility of high-level profit in Turkey's export industries, or elsewhere in the economy, such concern can be constructively addressed to the development and improvement of a truly viable and workable competition throughout Turkey.

4. If TEL Eventually Claims 100 Percent of Export Earnings, How Will the GOT Be Able to Service Turkey's External Debts and Still Provide Allocations of Foreign Exchange for Essential Imports?

Foreign exchange, whether required for debt payments or other essential purposes, is obtainable only from two sources: (1) a country's own earnings; (2) grants or other loans from other countries. Since grants and loans are an undependable and otherwise unsatisfactory source of foreign exchange, the expansion of earnings becomes paramount. Merchandise exports are actually and potentially Turkey's greatest and most dependable source of foreign exchange earnings. A substantial increase in exports is essential if Turkey is to be able both to service her external debts and continue high-level imports. Unfortunately, for the past 15 years, Turkey's exports have grown far less rapidly than her external debt. Exports have failed to grow primarily because money earnings in Turkey's export industries have been artifically depressed by unfavorable fixed exchange rates. These same artifically established and controlled exchange rates have encouraged and stimulated uneconomically large quantities of imports. A high level of imports, greatly in excess of exports, may be entirely economical when financed by grants, but may become uneconomical when grants are replaced by loans which require repayment in foreign exchange. A viable exchange rate, capable of moving in response to balance-of-payments deficits, tends to bring imports and exports into an economical balance by expanding exports and eliminating the least essential imports. TEL exchange rates possess this kind of viability and result in an expansion of total foreign exchange availability. Fixed exchange rates, because of their basic tendency to overvalue the domestic currency, tend constantly to limit and

reduce the total available supply of foreign exchange. The adoption of TEL exchange rates will enable the GOT systematically to disengage itself from the costly, uneconomical, and basically unnecessary task of presiding over the distribution of artifically created foreign-exchange shortages in Turkey. By restoring the allocation of Turkey's basic supplies of foreign exchange to the free market, the GOT will have taken the greatest single forward step in accommodating Turkey to competitive conditions in the European Common Market and the world at large. The GOT would still have access to foreign exchange from workers' remittances, tourism, other service items, and remaining amounts in the external assistance pipeline. If these are not adequate by the end of 1973 for all genuine needs, the GOT would be free, like other governments as well as Turkey's other importers, to purchase its required foreign exchange at prevailing rates in the open market.

5. Instead of Resorting to a Long Drawn Out Program Such as TEL, Why Not Correct Turkey's Export-Import Imbalance by a Simple Devaluation of the Turkish Lira?

A simple, one-shot devaluation is not the solution to the basic problem of export-import imbalance. Disturbances of equilibrium in a nation's international accounts are constantly taking place and must constantly be redressed. Flexible exchange rates in free foreign exchange markets automatically provide such required adjustments and are constantly at work to restore and maintain equilibrium in a nation's balance of payments. The adoption of fixed exchange rates, which was made a requirement for membership in the International Monetary Fund (IMF), destroys this mechanism and leaves the system without any automatic equilibrating machinery. At the time of the establishment of the IMF it was believed or hoped that fixed exchange rates could be maintained by a combination of monetary and fiscal policies and other voluntary methods. These have

failed in virtually all developing countries, either because the correct policies were not undertaken or because they were inadequate in the face of more powerful forces. In most cases the required monetary and fiscal policies were consciously or unconsciously rejected in favor of opposing or conflicting monetary and fiscal policies. Like many advanced countries, most underdeveloped countries do not wish to forego the use of expansionary fiscal and monetary policies to promote economic development, full employment, and expansion of governmental activities not easily financed by taxation. Such policies inevitably force the market rate of exchange further and further above the officially fixed rate. However, rather than abandon the obsolete official rate, which tends to conceal the degree of de facto internal inflation, such countries usually cling to such rates as long as possible, borrowing large sums to replenish their rapidly dwindling foreign exchange reserves, and adopting or further tightening existing exchange controls.

The requirements, prohibitions, and ramifications of a full-fledged system of exchange controls soon become so numerous and inhibiting that relatively few options in the area of international trade and finance remain open to businessmen and firms. Thus all foreign exchange earned or otherwise acquired must be surrendered to the state at the price named by the state, and only those firms or individuals who receive prior approval are allowed to purchase foreign exchange, and then only for specified amounts and purposes. The rigidities and limitations of specific quotas, the number and kinds of special approvals required to obtain foreign exchange even for items on a so-called "liberalized list," the tieing up of exorbitant sums of money obtained at high interest

rates in order to supply required "guaranty" deposits, the large volume of paperwork and costly administration required, the prolonged delays and waiting periods, sudden suspensions of further allocations for indefinite periods, and many other costs and consequences too numerous to mention are required or result from the effort to maintain fixed exchange rates and the exchange control system as a whole. The cumulative effect of all these controls is even more devastating than fixed exchange rates, as such, in inhibiting the growth of exports, imports, and overall viable economic development. In Turkey as in other developing countries these inhibiting effects have been concealed by massive injections of external assistance which have financed billions of dollars worth of imports in one form or another.

Liberalization is the term generally used to denote the elimination of direct economic controls such as the foreign exchange controls now existing in Turkey. Liberalization is not merely a formal requirement of GATT and of the European Economic Community, with which Turkey is affiliated and to which she is endeavoring to adapt her economy. Liberalization is a basic prerequisite to genuine economic viability, which means the capacity to survive and develop in a milieu of world markets and competitive prices.

Devaluation, per se, is merely a change from one official rate to another. A simple devaluation, by itself, does nothing to move a nation along the path of genuine liberalization. It does nothing to prevent the new officially adopted and fixed rate from getting out of line and following the path of its predecessor. Specific,overt devaluations, and indeed the very concept of official devaluation, are the progeny of exchange control systems and would not

exist in their absence. Domestic currency depreciation, and consequent exchange depreciation in international markets, can and will take place under any economic system. But currency depreciation, except in the most flagrant cases of governmental irresponsibility, is a gradual process and, in a liberal economy using free markets and flexible exchange rates, is automatically reflected in gradually changing exchange rates. These exchange-rate changes, as already described, act to restore and maintain equilibrium in the nation's external trade and payments. Fixed rates and exchange control systems, on the other hand, act to seal off a nation's price system from the rest of the world and divorce the externally applied exchange rates from economic developments within the country. It is then only a matter of time before the artificial rate becomes so far out of line with reality that a major and devastating devaluation can no longer be avoided. Such devaluations are most painful and embarrassing for government and produce severe shocks and dislocations throughout the economy as well as grave inequities and injustices to business firms and individuals. In the forlorn hope of avoiding or preventing further embarrassment and injustice, governments refuse even to discuss devaluation proposals and problems except in darkest secrecy, thus reducing the communication, interchange, and cross-fertilization of ideas, information, and interests to a bare minimum. It is small wonder that in selecting a new official rate of exchange, harried officials and their economists, working against deadlines and faced with inadequate information and knowledge, have been known to make the final choice by the flip of a coin. And well they might, because in the absence of an intention and action to eliminate exchange controls, the precise level of the official rate is immaterial.

Devaluation without liberalization is thus only a temporary palliativ It treats only symptoms, not the basic economic disease or its causes. The economic disease in question is the artificial inflexibility of foreign exchange rates and the systematic and coercive destruction of free markets imposed by an authoritarian regime of foreign trade and exchange controls. TEL proposes that Turkey begin now the task of freeing herself from such controls. In contrast to the technique of periodic massive devaluation without reform, TEL proposes the pathway of gradual reform over a period long enough to avoid major shocks and dislocations but short enough to keep the goal in mind and get the job done.

Annex E. Statistical Key to Economic Grouping of Exports

The statistical key used to derive our commodity categories from the export data published by the State Institute of Statistics for 1967 is presented in Table E-1.

Table E-1

Key to Exports by Economic Grouping, 1967

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
1. Agricultural products:	
a. Cotton	55.01.00-55.04.00
b. Tobacco	24.01.11-60
c. Nuts:	
(1) Hazelnuts	08.05.11 08.05.21-25 08.05.29
(2) Other nuts:	
(a) Pistachios	08.05.14 08.05.42
(b) Other	08.05.12-16 (except 08.05.14) 08.05.19 08.05.31-32 08.05.41 08.05.43 08.05.49 12.01.11-12
d. Dried fruit:	
(1) Raisins	08.04.20 08.04.31 08.04.39
(2) Figs	08.03.12-16
(3) Other	08.01.50 08.02.60 08.12.10-90

Table E-1 (con't.)

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
e. Fresh fruit & vegetables:	
(1) Citrus	08.02.11-50
(2) Other	08.01.10-40 08.03.11 08.04.10 08.06.10-30 08.07.10-90 08.08.10-90 08.09.10-90
(3) Vegetables	07.01.10-90
f. Cereals	10.00.00 11.00.00
g. Mohair & wool:	
(1) Mohair and hair	53.02.00-53.05.00
(2) Wool	53.01.00 53.03.10-20 53.04.00 53.05.10-20
h. Livestock and products:	
(1) Live animals	01.00.00
(2) Meat	02.00.00
(3) Dairy products	04.00.00
(4) Guts, etc.	05.00.00 (except 05.13.00)
(5) Hides and skins	41.00.00
(6) Furs	43.00.00
i. Olive oil	15.07.12

Table E-1 (con't.)

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
j. Other agricultural commodities:	
(1) Fish	03.00.00
(2) Oil seed cakes	23.03.00-23.04.00
(3) Bran and other fodder	23.00.00 (except 23.03.00 and 23.04.00)
(4) Opium, root extract, etc.	13.00.00
(5) Oil seeds	12.00.00 (except 12.01.11-12)
(6) Chick peas, beans, lentils, etc.	07.05.00
(7) Other	05.13.00 06.00.00 07.00.00 (except 07.01.10-90, 07.02.00, and 07.05.00) 09.00.00 (except 09.01.00 and 09.02.00) 14.00.00 15.00.00 (except 15.07.12) 33.00.00 45.00.00 50.01.00-50.08.00 54.00.00
2. Manufactures:	
a. Lumber and products	44.00.00
b. Food products:	
(1) Sugar	17.00.00
(2) Fig paste	20.05.10

Table E-1 (con't.)

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
(3) Other food products	07.02.00 08.10.00 08.11.00 09.01.00-09.02.00 16.00.00 18.00.00 19.00.00 20.00.00 (except 20.05.10) 21.00.00 22.00.00
c. Textiles and clothing:	
(1) Cloth	50.09.00-50.10.00 51.04.00 52.02.00 53.11.00-53.13.00 55.07.00-55.09.00 56.07.00 57.09.00-57.12.00 58.00.00 59.00.00 63.00.00
(2) Yarn	50.04.00-50.07.00 51.01.00 51.03.00 52.01.00 53.06.00-53.10.00 54.03.00-54.04.00 55.05.00-55.06.00 57.05.00-57.07.00 59.04.00
(3) Clothing and shoes	60.00.00 61.00.00 62.00.00 64.00.00 65.00.00
d. Chemicals and pharmaceuticals	29.00.00 30.00.00 31.00.00 32.00.00 34.00.00 36.00.00 38.00.00 39.00.00

Table E-1 (con't.)

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
e. Metals and metal manufactures:	
(1) Ferro chrome	73.02.10
(2) Electrolytic copper	74.01.10
(3) Other metals & metal manufactures	72.00.00 73.00.00 (except 73.02.10) 74.00.00 (except 74.01.10 and 74.01.21-24) 75.00.00 76.00.00 78.00.00 80.00.00 82.00.00 83.00.00 84.00.00 85.00.00 86.00.00 87.00.00 88.00.00 90.00.00 91.00.00 93.00.00
f. Tires and rubber goods	40.00.00
g. Other manufactures:	
(1) Petroleum products	27.10.00-27.16.00
(2) Stone, clay, glass	68.00.00 69.00.00 70.00.00
(3) Other	24.02.10-90 27.17.00 35.00.00 37.00.00 42.00.00 46.00.00 47.00.00 48.00.00 49.00.00

Table E-1 (con't.)

USAID Commodity Categories	Turkish Customs Tariff Code Numbers
(3) Other (con't.)	66.00.00 67.00.00 71.00.00 89.00.00 92.00.00 94.00.00 95.00.00 96.00.00 97.00.00 98.00.00 99.00.00
3. Minerals:	
a. Copper	74.01.21-24
b. Borates	25.30.00
c. Chrome	26.01.41 & 49
d. Lead-zinc	26 01.51 & 59 26.01.61-63 79.00.00
e. Magnesite	25.19.00
f. Other	25.00.00 (except 25.19.00 and 25.30.00) 26.01.11-39 26.01.71-93 26.02.00 26.03.00 26.04.00 27.01.00-27.09.00 28.00.00 77.00.00 81.00.00